

Negligible Completions, Demand Revival Drive Miami-Dade Apartment Strengthening

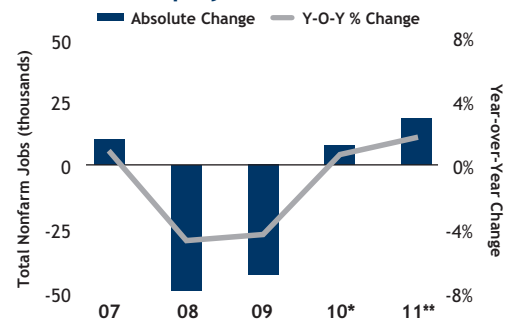
The Miami-Dade apartment market will record additional improvements in vacancy and rents in 2011, confirming its status as the top performing market in Florida. Completions will remain minimal, while a lack of affordable housing alternatives for blue-collar residents and an accelerating pace of employment growth will generate strong renter demand. Class B/C rentals in typically robust submarkets such as Hialeah and Kendall East/Coral Gables will continue to recover as hiring rebounds. Vacancy in each area will fall to the high-3 percent range this year, after rising to more than 5 percent at the peak of the recession. Elsewhere, operators in the Miami and South Beach submarkets continue to face competition from shadow rentals, but demand for Class A apartments surged last year due to elevated concessions. As a recovery in the for-sale market progresses and shadow stock dissipates, owners will withdraw leasing incentives.

Strengthening operating conditions will improve investor optimism for Miami-Dade apartment assets. The availability of Fannie Mae and Freddie Mac financing, plus a greater willingness to lend by local and community banks, will support an intense bidding climate, facilitating sellers' efforts to dispose of properties. Class A listings are already attracting investors, helping drive down cap rates to less than 6 percent in some cases. First-year yields for lower-quality assets are also compressing to pre-conversion-era ranges from approximately 7 percent to 8 percent. In areas with supply constraints, including Hialeah and waterfront locations, initial returns can be 100 basis points lower, as properties in these areas generally attract multiple bids when listed.

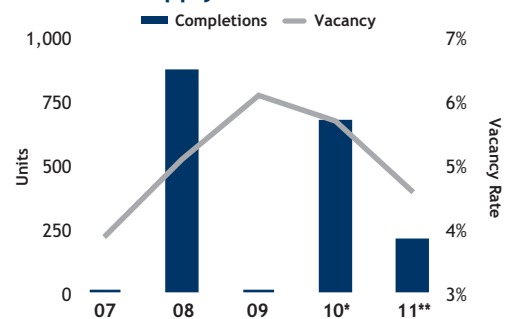
2011 Market Outlook

- ◆ **2011 NAI Rank: 21, Up 4 Places.** Florida's tightest vacancy rate and above-average employment growth supported Miami's four-place rise in the ranking.
- ◆ **Employment Forecast:** Total employment in Miami-Dade County will expand 1.8 percent in 2011 with the addition of 18,000 jobs. Hiring resumed last year, when 7,500 positions were created.
- ◆ **Construction Forecast:** This year, developers will complete only 200 units, representing a meager 0.2 percent addition to rental stock; 660 rentals came online in 2010.
- ◆ **Vacancy Forecast:** The release of pent-up demand contributed to a 40 basis point decrease in the vacancy rate last year. In 2011, job growth will help push down vacancy 110 basis points to 4.6 percent.
- ◆ **Rent Forecast:** Asking rents will rise 3.3 percent this year to \$1,089 per month, and effective rents will advance 4.1 percent to \$1,032 per month. In 2010, asking rents ticked up 1.2 percent, while effective rents gained 2.3 percent.
- ◆ **Investment Forecast:** Miami's stature as an international gateway, plus the devaluation of the U.S. dollar relative to foreign currencies, will attract increasing foreign investment to the market in the quarters ahead.

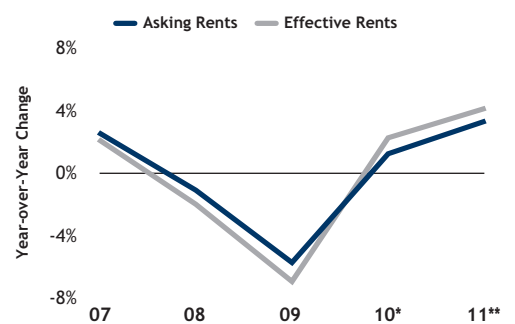
Employment Trends



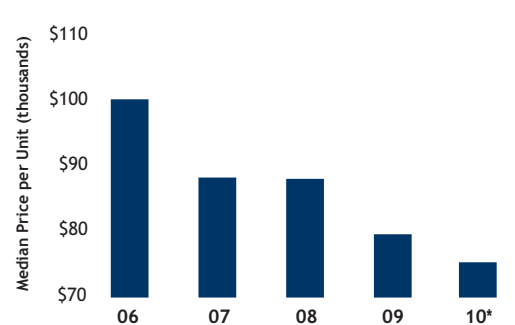
Supply and Demand



Rent Trends



Sales Trends



* Estimate ** Forecast
Sources: Marcus & Millichap Research Services, CoStar Group, Inc., RCA

Market Forecast

Employment: 1.8% ▲

Construction: 460 ▼

Vacancy: 110 bps ▼

Effective Rents: 4.1% ▲