

## NATIONAL OUTLOOK

Investor interest in U.S. multifamily properties continued at a healthy clip at the beginning of 2011, as investment sales dollar volume jumped 40% in the first quarter over the same period last year. More deals closed than in any quarter since mid-2005, according to CoStar Group.

Just under 4,000 multifamily sales transactions were recorded in the quarter at a total volume of \$9.4 billion, according to preliminary CoStar sales data, compared with \$6.7 billion in first-quarter 2010 and just \$3.76 billion in first-quarter 2009. Despite the heightened activity, sales were just 22% of their mid-2007 market peak of \$43 billion in the most recent quarter. Sales volumes declined about \$6 billion from fourth-quarter 2010.

Despite an uneven economic expansion, "fundamentally, the outlook for the economy remains one of recovery and growth, and CoStar remains optimistic about its prospects. That is good news for commercial real estate and good news for apartment demand," said CoStar Real Estate Strategist Kevin White during the Washington, D.C.-based company's recent First Quarter 2011 Multifamily Review & Outlook.

Investor appetite for newer institutional-grade product in high-barrier coastal markets is driving sales volume in recent quarters, unlike 2008 and 2009, when larger transactions were difficult to finance and the limited pool of mostly local investors opted for smaller properties in suburban locations, explained CoStar Senior Real Estate Strategist Michael Cohen, who co-presented the outlook with White.

Distressed transactions, including REO sales, deeds in lieu of foreclosure and properties with high vacancy and/or deferred maintenance costs, accounted for about 21% of all multifamily sales volume in the first quarter. While still quite high, the percentage of distressed deals declined 5% from the previous quarter, however, and CoStar expects distress levels to slowly drift down as fundamentals continue to improve.

*~ Excerpted & abridged Co-Star Article  
 By Randy Drummer May 18, 2011*

## UNEMPLOYMENT STATISTICS

	May-10	May-11
California	12.4%	11.7%
Sacramento/Roseville	12.1%	11.7%
Chico	13.4%	12.9%
Stockton	16.3%	16.2%
Yuba City	19.3%	19.0%

*Source: Bureau of Labor Statistics  
 CA is Seasonally Adjusted; MSNs are not seasonally adjusted  
 May 2011 are preliminary numbers*

To Our Valued Clients receiving this by US Mail,

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Thank you,  
 Angel McCormack, MS | Apartment Advisory Team

## SACRAMENTO MSA ACTIVITY

In the investment sales arena, there are two types of buyers and transactions occurring in the market: value-add distressed deals and institutional grade Class-A deals.

A distressed sale at year-end 2010, Preserve at Creekside in Roseville, was traded by a bank (that had taken the property over from local investor) to a group of value-added investors. This B+ product with 336 apartment homes, sold for \$104,167 per unit, or roughly 50% of previous value.

Several broken condo deals occurred last year. In Roseville, 129 rental homes in the second phase of The Phoenician sold for \$106,318 per unit in June 2010. Most of them had been leased prior to the sale. The first phase of construction of the 300+ unit community had begun in 2004 and all of the homes in the first phase sold before the recession hit.

In Rocklin, Montessa at Whitney Ranch also closed June 2010 when the 171 units sold for \$122,807 per unit. It was recently listed on May 1, 2011 at \$185,778 per unit. Construction started in 2007 as condos, but the developer was unable to sell any of the attached homes, subsequently 100% went rental. Both of these broken condo transactions were short sales.

Still a high water mark in recent years for an institutional, Class-A product was last year's sale of 336 unit Sherwood Apartments in Folsom. The Apartment Advisory Team brokered both sides of this transaction which sold for \$150,000 per unit at a 5.75% capitalization rate.

The transaction that best tells the story of the Sacramento MSA multifamily market goes to Slate Creek in Roseville. Built in the late 1980s by Trammel Crow, the 612-unit complex traded in 2002 for approx. \$87,500 per unit, or more than \$53 million. The property was listed for sale in December 2009 for \$68 million and eventually closed in January 2010 for \$88,644 per unit, or more than \$54 million; this is nearly what the investor had acquired it for eight years earlier. Slate Creek traded again at the end of April 2011. The San Francisco based investor sold it for \$125,000 per unit, or more than \$76 million. **As Evidenced by an approximate \$22 million profit in 16 months, real estate remains a risk and reward enterprise.**

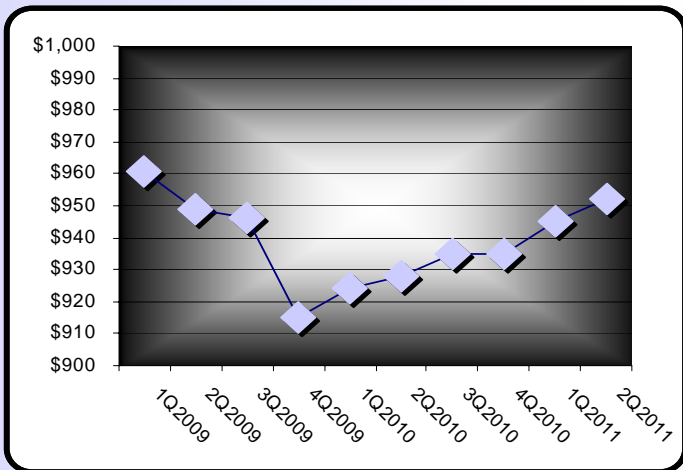


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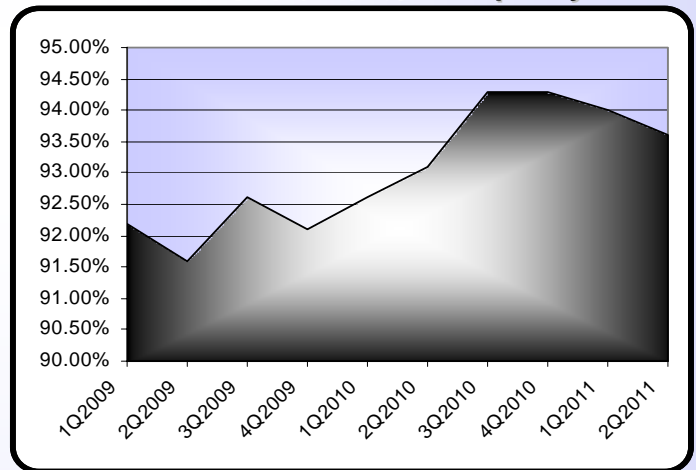
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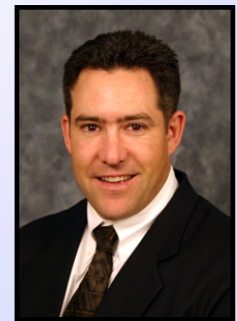
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