

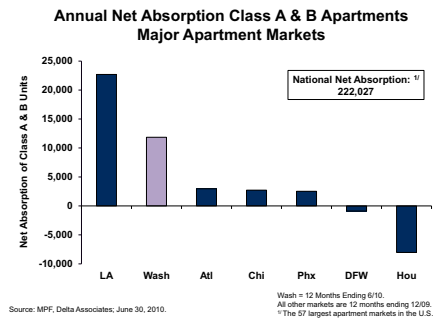
# An Overview of the Washington Apartment Market Mid-Year 2010

Following a year of competitive apartment market conditions due to an elevated number of deliveries in 2008 and 2009, the Washington market has turned the corner. Limited starts during the economic downturn and strong absorption in the Washington Metro are laying the groundwork for strong market conditions in 2011 and 2012, with an emerging product shortage by mid 2011 in select submarkets, and widespread shortages in late 2011 into early 2012.

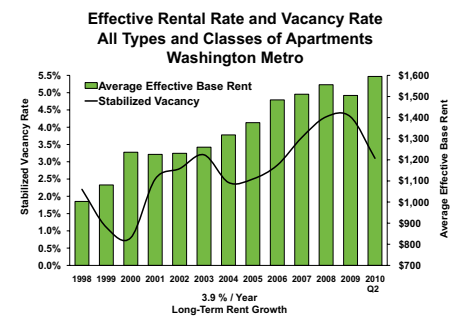
- The pipeline of supply is edging up from its cyclical bottom in the fourth quarter of 2009.
- Annualized Class A absorption exceeds 6,700 – one of the highest metro markets in the nation.

## Mid-Year 2010 Highlights

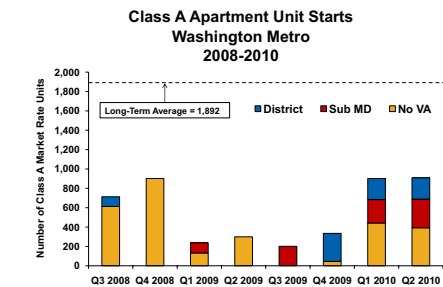
- **Stabilized vacancy rate** for investment grade apartments (Class A and B) is 3.1%, down from 4.3% a year ago. With the national rate at 8.2%, this is the lowest vacancy rate of any metro area in the nation.
- **Rents** for all investment grade product were up 3.6% over the past twelve months. Class A rents performed even better, rising by 4.2% during this period, compared to a decline of 1.8% during the preceding year.
- **Annual Net Absorption**, at 11,845 Class A and B apartments, set a new record due to a surge in Class B apartment absorption. Class A absorption continued at a strong pace with 6,770 units absorbed, remaining one of the strongest in the nation.
- **Concessions** at Class A projects edged lower, following a pattern first seen in the first quarter of 2010. At mid-year 2010, concessions were 4.1% of face rent compared to 6.2% of face rent at mid-year 2009.
- **Pipeline:** After the pipeline ballooned to 36,951 units in December 2007, largely driven by the reversion of condominium projects, the pipeline began its cyclical decline, continuing downward to a new historical low of 16,606 as of year-end 2009. As the horizon for improving market fundamentals grew closer in second quarter 2010, the pipeline edged up to 17,309 units.
- **Construction Starts:** in the first half of 2010 we have seen an uptick in construction activity, with 902 and 909 units breaking ground in the first and second quarters respectively. This production level remains well below our long term average of nearly 1,900 starts per quarter.



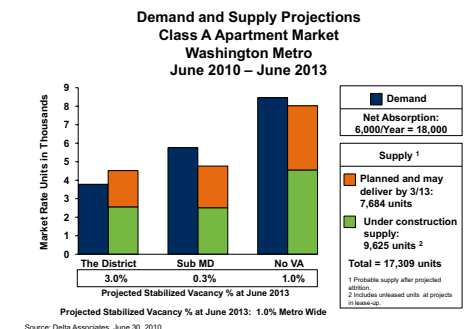
Source: MPP, Delta Associates, June 30, 2010. Wash = 12 Months Ending 6/10. All other markets are 12 months ending 12/09. \* The 57 largest apartment markets in the U.S.



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