

APARTMENTS BENEFIT FROM HOUSING DOWNTURN

MEPT'S MULTI-FAMILY PORTFOLIO WELL-POSITIONED IN THE CURRENT MARKET

MANY MEPT PLAN PARTICIPANTS have asked what the slowdown in the housing market means for their real estate portfolio. In general, the end of the housing boom has had limited impact on commercial real estate. The factors that are causing the downturn in the housing market are not affecting the demand for office and industrial space. Leasing activity for office and industrial properties has been steady because of the generally healthy U.S. economy and job growth. Additionally, there has been moderate new supply added to the market. Together, the demand and supply fundamentals have resulted in declining vacancy rates and upward trending rental rates.

Rather than a negative effect from the housing market, apartment assets have benefited from the decline in the single-family housing market. As prices for houses have increased and the cost of owning a home has moved beyond the reach of many would-be buyers, the demand for apartments is increasing.

Furthermore, over the past several years, the supply of

apartments in many markets has actually declined as the housing market boomed, since condominium converters removed a significant supply of units from the market to convert to condo use in 2003, 2004 and 2005. Additionally, due to high construction costs, new development has been constrained and little new supply has been added to the apartment market.

As a result of the increased demand and limited new supply, the national vacancy rate for apartments is now approximately 5.5 percent and rent concessions from landlords that were prevalent in most markets for many years are rare. Landlords, over the past 12 months, have had the ability to increase rents and this rent growth trend is anticipated to continue in 2007.

MEPT believes its multi-family portfolio is well-positioned in the current market environment. MEPT currently owns and operates nine multi-family assets, or a total of 3,294 units, with 191 units under development. MEPT's multi-family operating portfolio was 92.2 percent leased at the end of 2006.

MEPT'S MULTI-FAMILY PORTFOLIO

Jefferson at Plymouth

Acquired in the fourth quarter
Market: Minneapolis
Location: Suburban
Type: Low-rise
Number of Units: 301
Percent Leased: 90.2%

McClurg Court Center

Market: Chicago
Location: CBD
Type: High-rise
Number of Units: 1,058
Percent Leased: 91.6%

Canyon Park Apartments

Market: Los Angeles
Location: Suburban
Type: Garden style
Number of Units: 256
Percent Leased: 95.3%

The Octagon

Market: New York
Location: CBD
Type: High-rise
Number of Units: 501
Percent Leased: 100.0%



MEPT acquired **McClurg Court**, the second largest apartment complex in downtown Chicago, in May 2006. MEPT has plans underway for a long-term capital improvement program that will address deferred maintenance and add amenities to complement the existing health club, laundry facilities, retail, and garage. When the building was acquired, MEPT adopted an aggressive leasing strategy of increasing

rents while maintaining stabilized occupancy (i.e., 93 percent to 95 percent). The strategy has been successful and, in six months, rents have increased by over 6 percent on studios, convertibles and one-bedroom apartments.



In 2004, MEPT committed \$137 million to build **The Octagon**, an apartment complex on New York City's Roosevelt Island. The Octagon has a historic building as the centerpiece of the new LEED-certified apartment community that includes a day care center, public tennis courts, and an urban waterfront ecological park. The Octagon's construction costs came in below budget, and an estimated 1.5 million job hours were created for the building trades. The project reached stabilized occupancy in less than half of its projected lease-up time at rents above budget projections.

IN-DEPTH REPORT *(continued from front)*

Coventry Glen

Market: Chicago
Location: Suburban
Type: Garden Style
Number of Units: 280
Percent Leased: 78.6%

The Zenith

Under Development
Market: Baltimore
Location: CBD
Type: High-rise
Number of Units: 191

River Run

Market: Chicago
Location: Suburban
Type: Low-rise
Number of Units: 374
Percent Leased: 94.6%



MEPT committed \$30 million to build **Coventry Glen** in suburban Chicago in mid-2004. The development of the community created 515,000 job hours for the building trades. The project includes 14 buildings, with 60 percent of the units designed as one-bedrooms and 40 percent as two-bedrooms. The community features in-unit laundry facilities and private outdoor balconies. A clubhouse offers residents a fitness facility, a swimming pool, meeting rooms, and a fully appointed business center. Using a variety of marketing tools and some rent concessions, the leasing team achieved close to 80 percent occupancy during the initial lease-up, and it is anticipated that Coventry Glen will reach full stabilization in early 2007.

**The McGuire
(Carpenters Tower)**

Market: Seattle
Location: CBD
Type: High-rise
Number of Units: 272
Percent Leased: 91.5%

Seven Bridges

Market: Chicago
Location: Suburban
Type: Garden-style
Number of Units: 252
Percent Leased: 93.3%