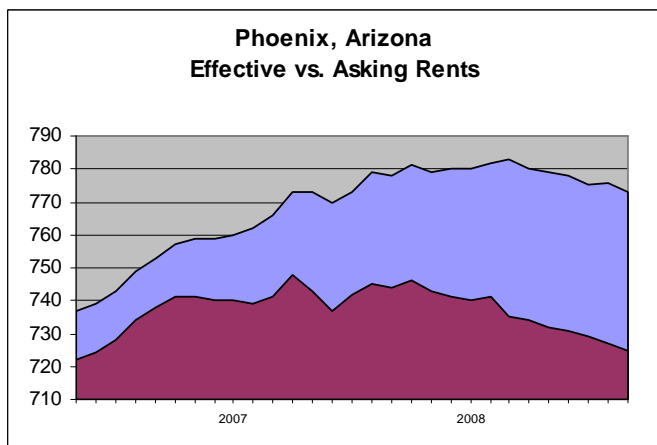


MARKET FOCUS: Phoenix

Like many areas of the country, the apartment industry in Phoenix, Arizona is in tough shape. Occupancy rates continue their decline from a very healthy 95.0% in May 2006 all the way down to the current rate of 88.5%. With a drop like that comes the inevitable increases in concessions and a very nasty decrease in effective rents.

As the chart below clearly reflects, the difference in the Asking and Effective Rents continue to increase. Effective rents (what a property actually is receiving after the reported concessions are filtered out) has decreased 2.6% in the past 12 months. In fact, the Effective Rents for the overall Phoenix market is 1.8% lower than two years ago. Also keep in mind that when markets fall like this, other costs rise as well. Uncollected rents, additional make-ready costs, increased numbers of evictions and a postponement of needed repairs and upgrades all contribute to the pressures inherent on a property's manager and leasing staff as well as the owner and management company.

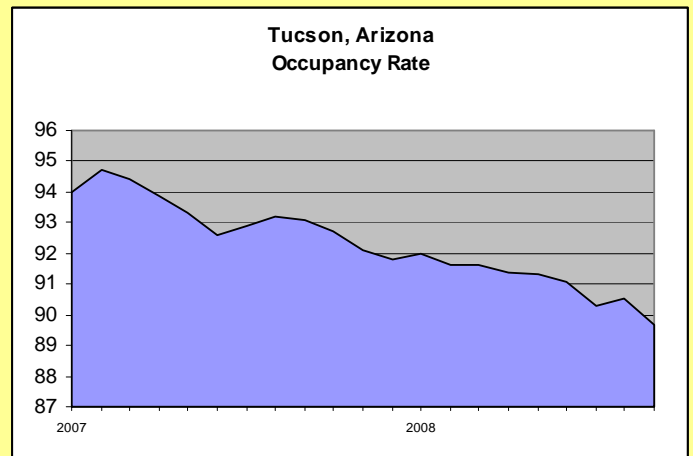


Unfortunately, the bad news does not stop yet for Phoenix. Over 71% of all the properties in the area are now offering some sort of concession that affects the annualized rent. This is the highest percentage ever reported for this market. And, of those that are offering a concession, they are offering an average of 9.2% off the annual rental amount, or just short of 5 weeks free on a 12 month lease.

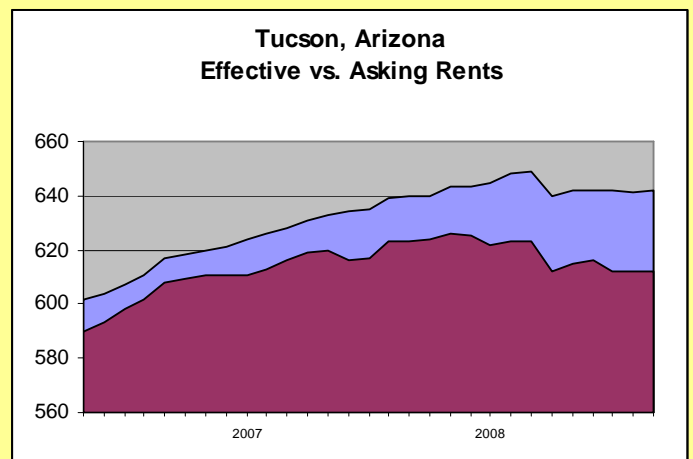
(continued on Page 3)

MARKET REVIEW: Tucson

The occupancy rate in Tucson has declined 3.4 percentage points (a 3.8% decline) to its current level of 89.7%. This is the lowest rate ALN has measured for this market since entering nearly four years ago.



Nearly two-thirds of the properties in the Tucson area are now offering some sort of rental concession with the average concession offered being 7.3 weeks free on a 12 month lease. This reduction results in a current average Asking Rent of \$642 per month with the Effective Rent at \$612 per unit. All of these numbers are continuing to reflect a considerable weakness in this market with no sign of impending relief.



ALN METRO SUMMARY	OCCUPANCY				AVERAGE QUOTED RENT / UNIT			
	SEPT 2007	SEPT 2008	CHANGE		SEPT 2007	SEPT 2008	CHANGE	
Austin	94.0%	90.3%	↓ -3.7	-4.2%	\$822	\$854	↑ \$32	3.7%
Dallas	90.9%	90.5%	↓ -0.4	-0.5%	\$784	\$809	↑ \$25	3.1%
Fort Worth	89.4%	88.9%	↓ -0.5	-0.5%	\$700	\$708	↑ \$8	1.2%
Houston	90.0%	88.8%	↓ -1.2	-1.3%	\$731	\$761	↑ \$30	3.9%
San Antonio	91.5%	89.9%	↓ -1.6	-1.7%	\$702	\$717	↑ \$15	2.0%
Corpus Christi	n/a	93.6%			n/a	\$723		
TEXAS AVERAGE	90.8%	89.6%	↓ -1.2	-1.3%	\$750	\$774	↑ \$24	3.1%
Tampa/St. Petersburg	92.0%	89.9%	↓ -2.1	-2.2%	\$816	\$837	↑ \$21	2.5%
Orlando/Daytona Beach	92.1%	90.5%	↓ -1.6	-1.9%	\$855	\$853	↓ -\$2	-0.2%
Jacksonville/Gainesville	91.2%	88.3%	↓ -2.9	-3.3%	\$812	\$800	↓ -\$12	-1.5%
Fort Myers/Naples	82.5%	81.0%	↓ -1.5	-1.8%	\$876	\$834	↓ -\$42	-5.0%
West Palm Beach	90.7%	90.0%	↓ -0.7	-0.9%	\$1,060	\$1,065	↑ \$5	0.5%
Tallahassee	94.5%	90.8%	↓ -3.7	-1.2%	\$844	\$815	↓ -\$29	-3.5%
Pensacola	91.7%	85.8%	↓ -5.9	-6.8%	\$753	\$767	↑ \$14	1.8%
Melbourne	86.9%	83.6%	↓ -3.3	-3.9%	\$731	\$740	↑ \$9	1.2%
FLORIDA AVERAGE	91.3%	89.1%	↓ -2.2	-2.4%	\$845	\$847	↑ \$2	0.2%
Phoenix	91.3%	88.5%	↓ -2.8	-3.2%	\$778	\$773	↓ -\$5	-0.6%
Tucson	93.1%	89.7%	↓ -3.4	-3.8%	\$650	\$642	↓ -\$8	-1.3%
ARIZONA AVERAGE	91.7%	88.7%	↓ -3.0	-3.3%	\$753	\$748	↓ -\$5	-0.6%
Atlanta	91.1%	88.9%	↓ -2.2	-2.5%	\$824	\$834	↑ \$10	1.2%
Las Vegas	93.4%	91.9%	↓ -1.5	-1.7%	\$848	\$860	↑ \$12	1.3%

On a monthly basis, ALN surveys all apartment communities in each of the 18 markets that we cover and an average of 92% of these surveys are successfully completed. The above statistics reflect only Conventional, Midrise, and High-Rise apartment communities. In addition, these statistics do not include Income Restricted, Student Housing, or Senior Independent Housing.

In-depth, property level research and data is available for all property types (including Senior and Income Restricted) through ALN OnLine, which includes Market and Effective Rents, Occupancy, Floor Plan & Unit Mix information, Market & Submarket statistics, Market Surveys, Historical Trends & Customizable Reports.

Why does ALN Update Monthly?

Most data providers update their data quarterly. For some, that is often enough. However, this industry moves way too quickly and many opportunities are missed when waiting on slow reacting data providers to catch up with your market. Only ALN can provide you with monthly updated data on 18 markets throughout the southern U.S. Coming Soon: Miami Denver, Little Rock, Amarillo, Lubbock and Abilene!

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(Phoenix continued from page 1)

Remember, this is the AVERAGE concession being offered. This 9.2% reduction is also the highest this figure has been since ALN began tracking this market in late 2005, so we are not yet seeing any indications that this market is ready to even start a recovery.

There was one recent attempt at stabilization. Since ALN watches these markets on a monthly basis, which gives us a much better view of a market as a whole, if you are not actively involved in the Phoenix market, then you were almost certainly not aware that there was a little bounce here in the late spring and early summer of this year. Occupancy rates and concessions actually stabilized or even improved slightly in March, April and May. However, this bounce was not able to sustain itself and the decrease in occupancy as well as the increase in concessions have returned. At this point, we at ALN are unable to see anything in the near future that we believe will shore up this market.

Phoenix Area City Summaries (changes are from one-year ago)

City	Current Occ.	% Chg	Mkt Rent	% Chg	Eff. Rents	% Chg
Avondale	90.2%	2.2%	\$869	1.9%	\$789	1.8%
Chandler	91.1%	-2.5%	\$886	-1.8%	\$834	-3.1%
Gilbert	87.3%	5.4%	\$880	-0.1%	\$810	-0.8%
Glendale	88.7%	-2.1%	\$731	3.1%	\$689	1.4%
Goodyear	86.0%	1.4%	\$907	2.5%	\$893	5.1%
Mesa	86.1%	-5.3%	\$722	-1.6%	\$676	-3.8%
Peoria	91.1%	-2.9%	\$874	-1.6%	\$794	-8.0%
Phoenix	87.4%	-3.5%	\$734	-1.0%	\$685	-2.9%
Scottsdale	91.1%	-1.1%	\$958	-4.1%	\$908	-5.9%
Surprise	90.7%	-3.4%	\$897	-3.2%	\$848	-0.1%
Tempe	89.6%	-3.5%	\$825	-2.8%	\$775	-5.0%

Occupancy and rental rates often appear odd when new properties are added or old ones are demolished. Obviously, the smaller the sub-market, the more noticeable it can become. For instance, Surprise has a new property that was recently built that caused the Effective Rents listed above to reflect a much different result than might be expected when looking at all the other figures.