WHO IS BUYING URBAN CONDOMINIUMS? A TALE OF FOUR CITIES

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A TALE OF FOUR CITIES

AN ANALYSIS OF THE CURRENT URBAN CONDOMINIUM AND LOFT MARKET

by

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ABSTRACT

This thesis is an analysis of the current trend in urban condominium and loft sales in the United States. It focuses specifically on the question of whom, demographically speaking, is buying the incredible influx of new urban residential products that has come onto the market since 2000. There is only anecdotal evidence gathered to date, where some claim that it is the empty-nesters abandoning the suburbs for the convenience of city life. However, there has not been the corresponding drop in suburban population levels or house sale levels to corroborate that hypothesis. Other market participants claim that the sales are primarily to investors, who are either renting or riding appreciation expectations to resell. If that is true, then there are considerable market implications for the future. Others project that it is an urban pied-a-terre trend; however the 2000 census only identifies 3% of the whole housing stock as seasonal, recreational, or second homes.

This thesis pools and analyzes recent historical data in four urban downtowns: Atlanta, Boston, Chicago, and San Diego to determine what is happening in each city and to try to discover a national trend. It utilizes raw mortgage origination data, assessor's data, and surveys and interviews with developers and brokers in each of the four designated cities. In addition to demographic profiles of buyers, this study determines whether these are second homes, speculative purchases, or complete relocations from outside the city.

Ultimately, what can be concluded from this analysis is that a much larger segment of demand for urban condos in Atlanta, Boston, Chicago and San Diego consists of second home purchasers and investors than are counted in the 2000 Census. Surveys of 7849 units indicate 66% owner occupancy, 22% second home purchase plus investors with no plan to rent and finally another 12% investors who rent out their units. Trends are similar across markets, although the Atlanta market is driven by younger buyers and San Diego has the lowest percentage of owner occupants, indicating the most speculative buying.

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1. Introduction

1.1 Background

This study seeks to investigate and explain the explosive growth in condominium and loft sales in four major cities that are geographically spread across the United States. Empirical research is conducted on condominium sales from 2000 through the first quarter of 2005. The study starts with a larger picture of mortgage origination data from 2000 through 2005 in the four subject cities; Atlanta, Boston, Chicago, and San Diego. The mortgage data tracks what the borrower indicates the condominium will be used for: Owner Occupied, Non Owner-Occupied, or Second Home. The study will focus in further on the cities with local assessor's data. That data was manipulated to determine how many condos were elected to have the homeowner's exemption or that had the tax bill mailed to a different zip code than the condo unit itself, which would indicate that the condo was a second home or investment. Finally, this study will reveal the results of a grass roots study with surveys and interviews of local developers and brokers that reveal a more specific demographic profile of who is buying the influx of new condos and lofts in each of these four selected cities.

1.2 Research Objectives

This research sets out to answer the central question about which groups are driving the condo market: to what extent is it baby boomers or younger workers; owner occupants, part-time occupants or investors? The study seeks out ways to measure how speculative the market has become with second home buyers and investors. This research tests the conflicting folklore and anecdotal reports in order to determine a trend in urban residential sales. The US Census tracks units for "seasonal, recreational, or occasional use", which means second homes. According to the 2000 census, this benchmark category represented

3.1% of all housing units (3,604,216 of 115,904,641 total housing units).[1] Some researchers have claimed that a large, speculative investor group is buying up the new product. If true, this is important for developers and economists to be able to quantify, as it serves as a beacon for an upcoming slowdown in the incredible absorption velocity that new projects have enjoyed. Others claim that the baby boomers are all abandoning the suburbs in search of city living and freedom from lawn care. Some assume that there is a growing "pied a terre" market in downtowns. Still others claim that the new buyers are first time home owners that are abandoning the rental market to take advantage of lower interest rates.

This study puts a rigorous approach on aggregating public data and the elusive market participant observations to paint a clear profile of the urban condo buyer in the different cities.

1.3 Organization of the Study

The study is organized by city, with the results of each study methodology (assessor data, mortgage data, and survey results) reported separately for each city and then compared. Additional market snapshots are provided on each of the subject cities to provide context on the residential boom that has been experienced. The paper will make several conclusions throughout the analysis, as each study methodology's results are analyzed. The Conclusion section compares the results across the subject cities.

1.4 Overview of Major Findings

The results of this study are compelling: Compared with the 2000 US Census finding that seasonal, recreational and second homes represent 3.1% of the housing market, this study's survey concludes a significantly higher incidence, a 22% average from the four cities. This was calculated by combining those buyers in the survey who designated their purchase as a second home with investors who indicated no plan to rent out their unit to arrive at a figure

[1] www.census.gov/hhes/www/housing/census/historic/vacation.html

that would represent the empty and seasonal units counted in the survey. In addition, assessor data pegs the level of condo ownership that is not for full time occupancy at 26.5%.

2. RESEARCH METHODOLOGY

2.1 FRAMEWORK OF STUDY

This study aims to analyze the current buyer profile of new condominium and loft owners in four different metropolitan areas. It investigates the following: 1) What is the breakdown of condominium owners that declare their condo as their primary residence to receive the Homeowner Exemption tax break on their property taxes? 2) what is the breakdown of condominium owners that have their tax bill mailed to their condo as opposed to another location? 3) what percentage of mortgage originations for new condominium loans are for primary residence versus secondary residence or investment, 4) what is the demographic composition of buyers, and 5) is there a different demographic that is attracted to different amenities of condominium projects.

2.2 SOURCES OF DATA

2.2.1 ASSESSOR DATA

Assessor level data cannot give us a complete or accurate indication of which condominiums are owner-occupied as a primary residence versus owned as a second home or investment. However, the assessor data can be parsed to give an approximate estimate of what the market is doing.

Assessor level data was analyzed for all four metropolitan areas. The data was parsed down as close to the subject areas of study as possible within each metropolitan area, and only parcels designated as having the land use of "condominium" were analyzed. From there, a comparison of the number of owners that had designated their condo with the city as their primary residence in order to receive the homeowner's exemption tax break (rules vary for the different cities). This analysis reveals the number of units that are owner occupied and used as their primary residence. However, this is not a complete number, because various assessor offices have noted that many residents are not aware of the homeowner exemption option, or they confuse it with the federal homestead election option in the tax code. Thus, not every resident that uses the condo they own as their primary residence elects to have the homeowner exemption. The percentage breakdown is noted for each city.

Another perhaps stronger indicator of whether a condo is used as the primary residence as opposed to a second home or investment is where the owner elects to have the tax bill mailed to. The rebuttable theory is that the majority of owners that are using their condo as their primary residence will have the tax bill mailed to their home address (the same as the condo address). Owners that are investors or second-home users will mostly have the tax billed mailed to their office or primary residence. Thus, the assessor data was used to create a comparison of the mailing address of the condo to the mailing address of the tax bill. The percentage breakdown is noted for each city.

Each assessor's office provided different levels of data details. In cities where richer information was provided, analysis of sales trends and prices are also included.

2.2.2 MORTGAGE DATA

Loan origination data was provided by Loan Performance, an information and analytics company focused on the mortgage finance, servicing, and securitization market. They provided data on prime loan origination on the four subject metropolitan areas. Refinancing activity is not included in the counts. This data not only gives counts by quarter of each year of the number of loan originations, it also shows for each mortgage how the borrower intends to use the property. The options are Owner Occupied, Second Home, or

Non Owner Occupied. Given that the majority of all new real estate purchases are bought with financing, this data on the buyers' intended use provides us with a strong overview of what the condos are being purchased for. No demographic data on the borrowers were released. Loan Performance estimates that their research tracks around 70% of the prime market.

2.2.3 DEVELOPER SURVEYS

The color and depth of this thesis comes from the surveys that were distributed to brokers, developers, and other key market participants that had participated in the sellout of new condominium development in each of the four subject cities. Projects that were new, ground-up construction or significant rehabilitation of a non-residential building into condominiums or loft uses completed between the first quarter of 2000 through the first quarter of 2005 were included in the survey. Apartment to condominium conversions were specifically excluded in the study.

"Buyers" were classified as purchasers who have signed Purchase & Sale Agreements with non-refundable deposits along with purchasers who have closed on their units. Reservations with a nominal or refundable deposit were not counted as "Buyers" for this survey.

The first page of the survey gathered specific data on the new buildings, such as number of units, amenities, average unit size, average price per square foot, condo fees, etc. Marketing information was also gathered, such as when marketing began, sales velocity, sellout date. The survey also probed whether there were any deed restrictions to discourage investors. See Exhibit A.

Specific demographic data on the unit buyers were gathered on the second page of the survey. Buyer Type information, such as individual buyer or couple, over 50 years old or younger, retired, first time home buyers, etc was surveyed. Buyer origination data was also gathered. Buyer Motivation and Buyer Tenure were also captured on the survey. See Exhibit B.

Additional qualitative data about impressions and expectations of buyer demographics were surveyed as well.

Surveys were sent out to approximately 150 market participants, of which responses were received covering 47 different projects with over 8,500 units sold. In the interest of confidentiality requests of our survey subjects, specific data responses will not be correlated with any particular building.

	Atlanta	**Boston**	**Chicago**	**San Diego**
Number of Properties Surveyed	8	13	12	14
Total Number of Units Surveyed	1,847	1,318	5,091	2,967
Total Number of Sold Units Surveyed	1,641	914	3,307	2,652

The results of the survey were aggregated to determine if there are trends for specific cities. From there, specific building characteristics were correlated with trends in buyer type. The results are presented by city. Finally, the data from all cities is aggregated and compared.

2.3 Description of Area of Study

2.3.1 Atlanta

The following neighborhoods were included in the Atlanta Study:

Downtown
Midtown/Brookwood

Note: Specifically, Buckhead, other Intown locations, and other surrounding neighborhoods and towns were excluded from the survey and assessor analysis

2.3.2 Boston

The following neighborhoods were included in the Boston Study:

North Station
North End
Financial District
Back Bay
Leather District
South End
Midtown

Note: Specifically, East Boston, South Boston, Charlestown, Allston, Brighton, Roxbury, and other surrounding neighborhoods and towns were excluded from the survey and assessor analysis

2.3.3 CHICAGO

The following neighborhoods were included in the Chicago Study:

The Loop/New East Side
South Loop
South Streeterville
River North
West Loop/River West

Note: Specifically, Gold Coast/Near North, and other surrounding neighborhoods and towns were excluded from the survey and assessor analysis

2.3.4 SAN DIEGO

The following neighborhoods were included in the San Diego Study:

Columbia, Core
Little Italy
Cortez Hill
Marina
East Village
Gas Light District

Note: Specifically, Uptown/Bankers Hill, City Heights, South Park, North Park and other surrounding neighborhoods and towns were excluded from the survey and assessor analysis

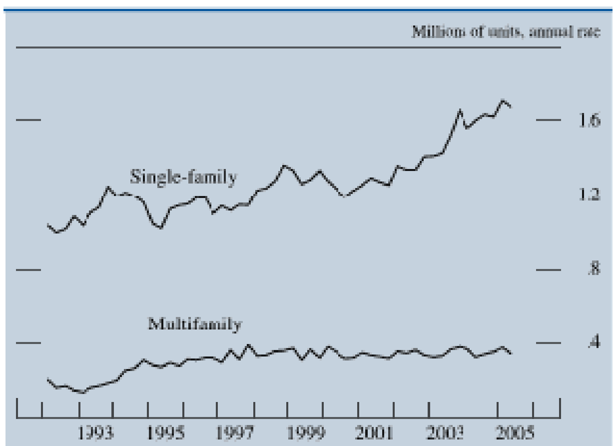
3. NATIONAL CONDOMINIUM MARKET OVERVIEW

3.1 NATIONAL PERSPECTIVE

The following excerpt from the monetary policy report of the Federal Reserve Bank on July 20, 2005 provides a good snapshot of market conditions:

> "Activity in the housing market continued at a strong pace in the first half of 2005. Real expenditures on residential structures increased at an annual rate of 11-1/2 percent in the first quarter and appear to have posted another gain in the second quarter. In the single-family sector, starts of new units averaged 1.69 million at an annual rate between January and June--nearly 4 percent above the pace posted over the second half of 2004. Similarly, starts of multifamily units averaged 360,000 over the first six months of 2005, about 3-1/4 percent higher than in the previous six months.

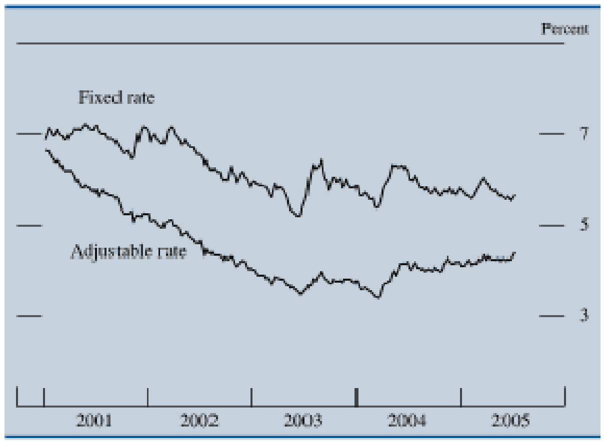
Private housing starts



NOTE: The data are quarterly and extend through 2005:Q2.
SOURCE: Department of Commerce, Bureau of the Census.

> As in 2004, the demand for housing during the first half of 2005 was supported by rising employment and income and by low mortgage rates. Rates on thirty-year fixed-rate mortgages have fluctuated between 5-1/2 percent and 6 percent in recent months and are currently near the low end of that range. In addition, demand reportedly has been boosted by a rise in purchases of second homes--either as vacation units or as investments--and by the greater availability of less-conventional financing instruments. These financing instruments, including interest-only mortgages and adjustable-rate mortgages that allow borrowers a degree of flexibility in the size of their monthly payments, have enabled some households to buy homes that would otherwise have been unaffordable. As a result, both new and existing home sales have remained remarkably robust this year, and both were at or near record levels in May.

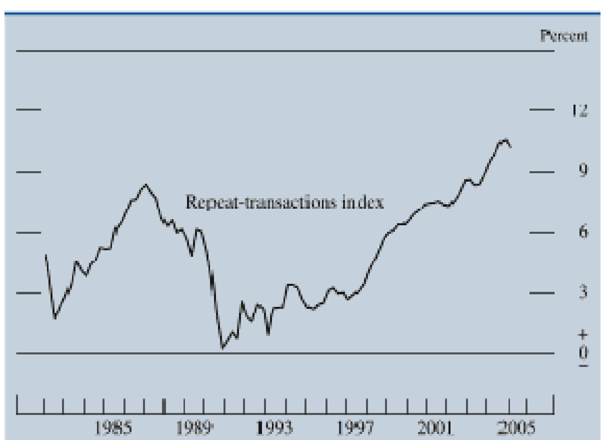
Mortgage rates



NOTE: The data, which are weekly and extend through July 13, 2005, are contract rates on thirty-year mortgages.
SOURCE: Federal Home Loan Mortgage Corporation.

The strong demand for housing has continued to push up home prices this year. Although rates of house price appreciation were a little slower in the first quarter of this year than in 2004, the repeat-transactions price index for existing homes (limited to purchase-transactions only), which is published by the Office of Federal Housing Enterprise Oversight and partially adjusts for changes in the quality of homes sold, was nonetheless up 10 percent relative to its year-earlier level. Price appreciation has been especially sharp over the past year in some large metropolitan areas, including Las Vegas, Miami, San Francisco, and New York, but rapid increases in home prices have been observed in other areas as well. In many of these locales, recent price increases have far exceeded the increases in rents and household incomes."

Change in house prices



NOTE: The data are quarterly and extend through 2005:Q1. Change is over four quarters. For the years preceding 1991, changes are based on an index that includes appraisals associated with mortgage refinancings. Beginning in 1991, changes are based on an index that includes purchase transactions only.
SOURCE: Office of Federal Housing Enterprise Oversight.

The following excerpt from Federal Reserve Board Chairman Alan Greenspan's testimony before the Committee on Financial Services of the House of Representatives on July 20, 2005 addresses the concern about *froth* in the housing markets (emphasis added):

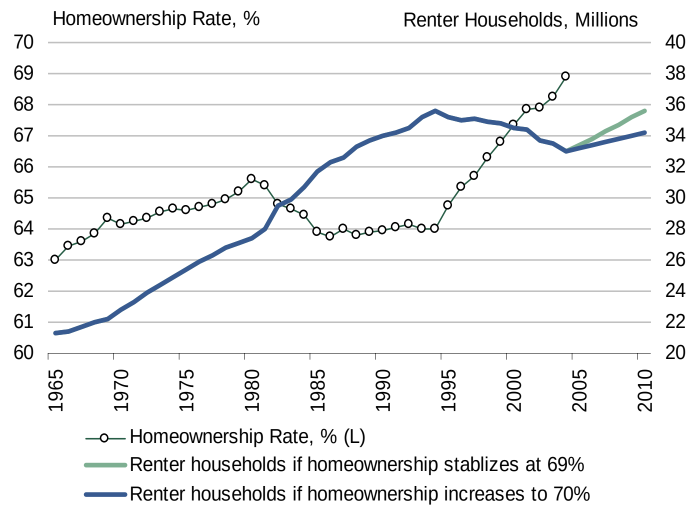
> **"…**such perceptions, many observers believe, are contributing to the boom in home prices and creating some associated risks. And, certainly, the exceptionally low interest rates on ten-year Treasury notes, and hence on home mortgages, have been a major factor in the recent surge of homebuilding, home turnover, and particularly in the steep climb in home prices. Whether home prices on average for the nation as a whole are overvalued relative to underlying determinants is difficult to ascertain, but there do appear to be, at a minimum, *signs of froth* in some local markets where home prices seem to have risen to unsustainable levels. Among other indicators, the significant rise in purchases of homes for investment since 2001 seems to have charged some regional markets with speculative fervor.
>
> *The apparent froth* in housing markets appears to have interacted with evolving practices in mortgage markets. The increase in the prevalence of interest-only loans and the introduction of more-exotic forms of adjustable-rate mortgages are developments of particular concern. To be sure, these financing vehicles have their appropriate uses. But some households may be employing these instruments to purchase homes that would otherwise be unaffordable, and consequently their use could be adding to pressures in the housing market. Moreover, these contracts may leave some mortgagors vulnerable to adverse events. It is important that lenders fully appreciate the risk that some households may have trouble meeting monthly payments as interest rates and the macroeconomic climate change.
>
> The U.S. economy has weathered such episodes before without experiencing significant declines in the national average level of home prices. Nevertheless, we certainly cannot rule out declines in home prices, especially in some local markets. If declines were to occur, they likely would be accompanied by some economic stress, though the macroeconomic implications need not be substantial. Nationwide banking and widespread securitization of mortgages make financial intermediation less likely to be impaired than it was in some previous episodes of regional house-price correction. Moreover, a decline in the national housing price level would need to be substantial to trigger a significant rise in foreclosures, because the vast majority of homeowners have built up substantial equity in their homes despite large mortgage-market-financed withdrawals of home equity in recent years…"[2]

[2] Federal Reserve Board Chairman Alan Greenspan, testimony before House of Representatives, July 20, 2005

3.2 MULTI-FAMILY

The graph below shows the unprecedented level of home ownership that currently exists nationally. The rate of home ownership has increased 5% in the past ten years to an all time high of 69%, begging the question of what factors are driving this trend:[3]

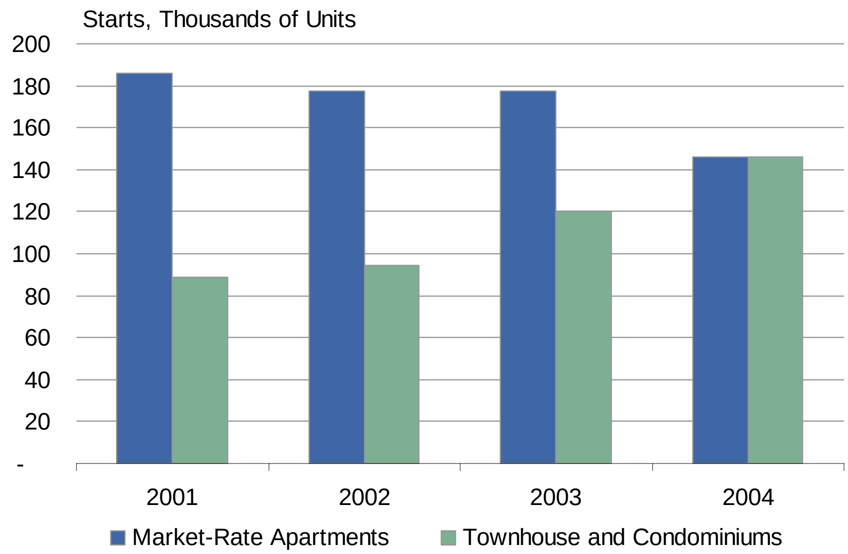
The Price-Rent " wedge" reflects a huge shift into home ownership



Growth of Condominiums and Townhouses

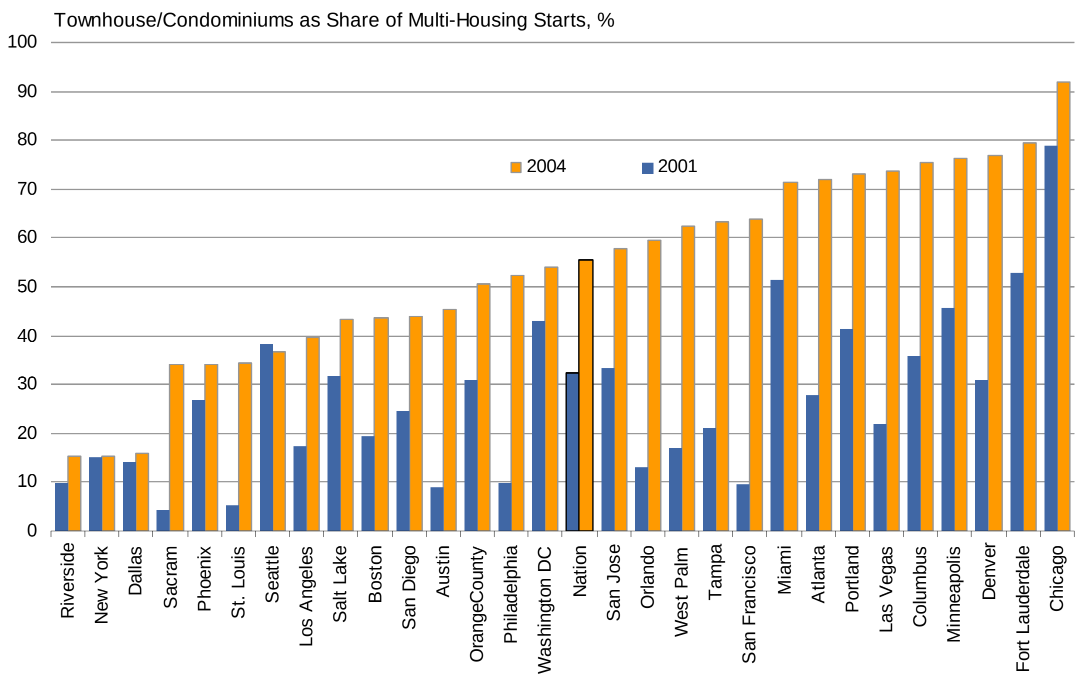
TWR/Dodge has tracked multi-family housing starts for the past four calendar years. The tables and graphs which follow document the growing percentage of total multi-family housing starts that are townhouse and condominium from 2001 to 2004:

[3] Bill Wheaton, MIT Center for Real Estate from US Census data



Source: TWR/Dodge Pipeline.

Townhouse/Condominiums as % of Apartment and Townhouse/Condominiums Starts[4]



Source: TWR/Dodge Pipeline.

Trammell Crow Residential, a major multi-family developer, in their <u>2005 Outlook for the U.S. Multifamily Market</u> is sanguine about the future of condominiums noting that

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[4] TWR/Dodge Pipeline

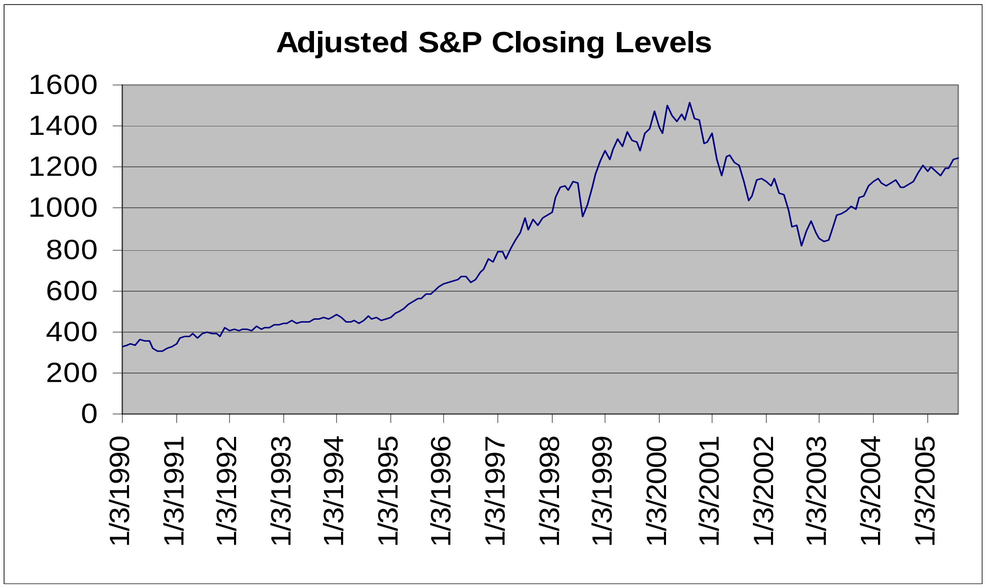
"the demand for multifamily for-sale housing – condominium and otherwise – is expected to remain active through the foreseeable future. The acceptance of this product during a period of very low interest rates (when most recent condo buyers could have afforded detached homes) suggests that the upturn in demand is not attributable to buyers being forced into this market by affordability barriers in the traditional single-family home market. Instead, the acceleration of buyer demand for multifamily housing also results from its lifestyle appeal – the advantages of low-maintenance, well-located, and well-amenitized housing. While its product attributes appear to have drawn buyers to the condo segment in the past few years, the escalation of home prices and interest rates could bring additional buyers to the condominium product in coming years, as single-family affordability does wane from its recent pinnacle."[5]

With respect to the trend toward urban living, TCR attributes it to two main factors: increased traffic congestion and consequent lengthening commutes in the fast growing suburban areas and the increase in households without children, the predominant growth segment in the population over the past two decades.

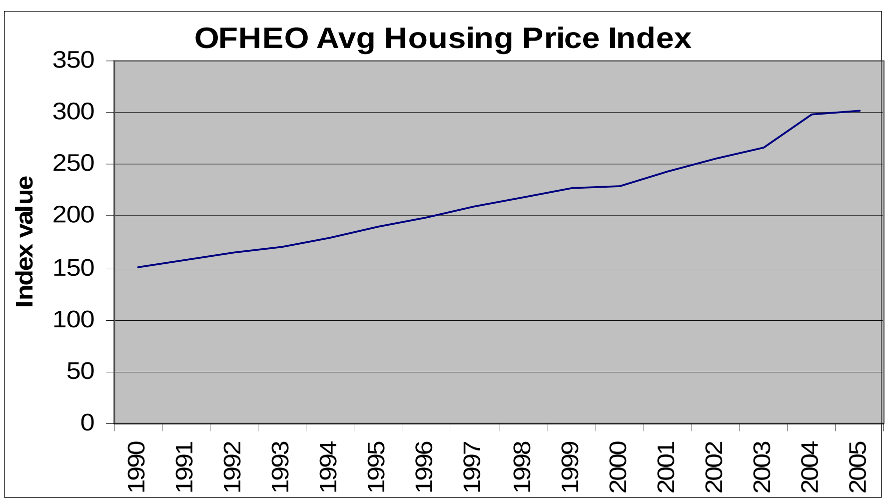
"Whether single adults or couples with no children living at home, this rapidly growing segment is not influenced by superior public school systems (typically found in the suburbs) nor by a need to provide yard space for children to play in, but by urban amenities such as museums, theater, restaurants and distinctive retailers as well as shortened commutes. AS a result, America's central cities have proven attractive to more and more American households"[6]

Finally, the volatility in the stock market performance over the past fifteen years as shown in the graph of the S&P 500 below may have increased investors' appetite for real estate as a more stable asset class.

[5] Trammell Crow Residential, "2005 Outlook for US Multifamily Market", page 22.
[6] Trammell Crow Residential, "2005 Outlook for Multifamily Market, page 58.



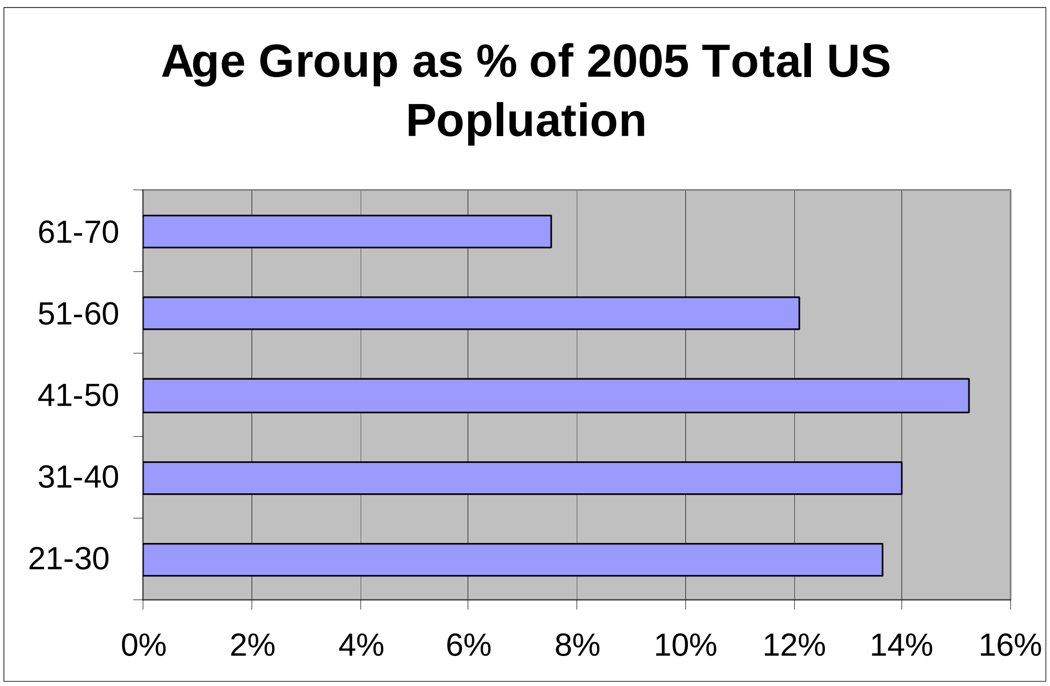
The Office of Federal Housing Enterprise Oversight (OFEO) publishes a quarterly housing price index. This is the national trend of single family house prices with data provided by Fannie Mae and Freddie Mac. The data is computed to a weighted repeat sales index, which measures the average price changes in repeat sales (purchased with financing) or refinancing on the same property with conventional mortgages.[7] This index shows a much more stable return in the housing market as opposed to the S&P, which evidences some of the appeal for investors.



[7] www.ofheo.gov/hpifaq.asp "How is the HPI Computed?" August 4, 2005.

3.3 DEMOGRAPHICS

The two population groups that appear to be most active in today's urban condo markets are "baby boomers" and "echo boomers". Baby boomers (those born in the 19 year period from 1946 to 1964) are 77.7 million strong. The age group from 50 to 70 are combined to approximate today's empty nester population. The buyer group in their twenties is another active buyer group. The following graph of US Census Data shows how large a part of the total population these two age groups represent.



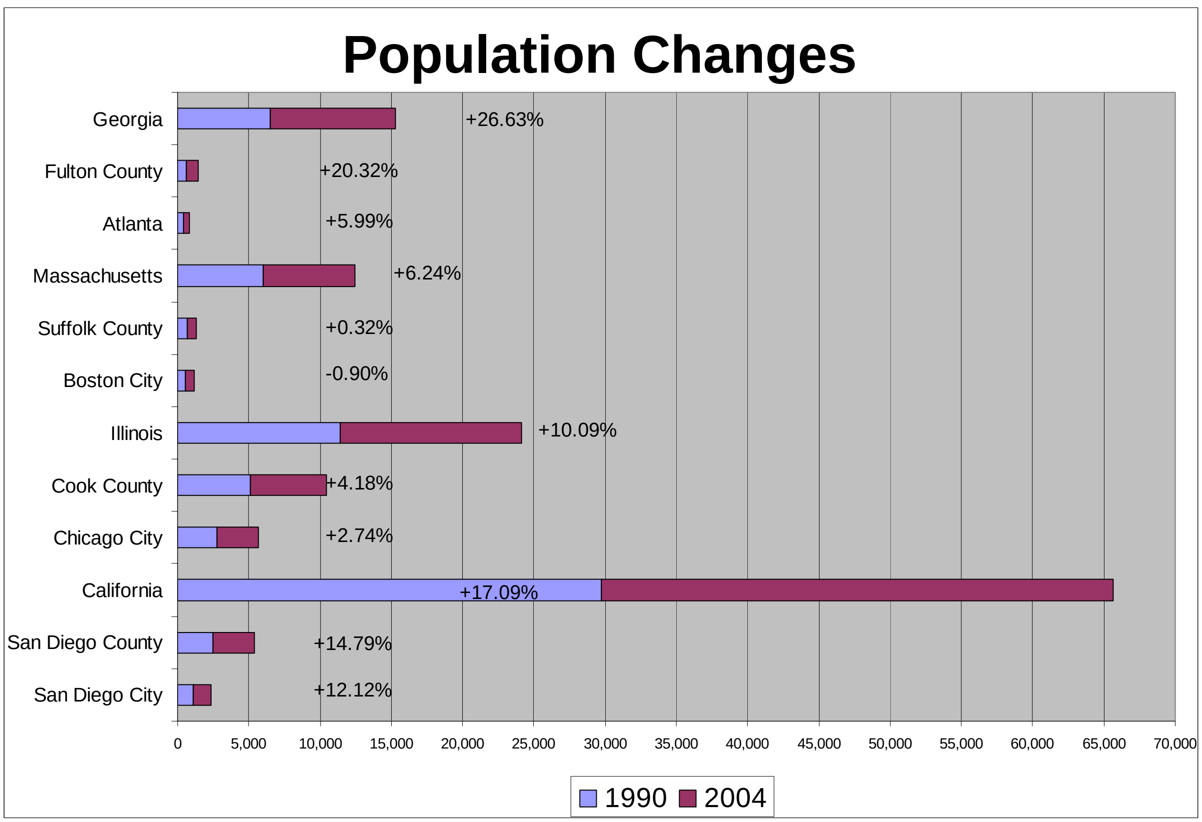
Many empty nesters are attracted to the simplicity of the condominium lifestyle, the amenities of the condo projects and the cultural offerings in urban settings.[8]

A final group, legal immigrants, continues to have a major impact on the changing population of the United States. It is perhaps underappreciated that the 1990's witnessed more immigration than any other decade in American history with annual immigration

[8] Trammell Crow Residential 2005 Outlook for the U.S. Multifamily Market

averaging in excess of one million persons.   As of 2005, there are over 34 million US residents who are foreign born. In the 1990s, in the top 100 cities, the Hispanic population grew 43% (totaling 3.8 million) and the Asian population grew 40% (totaling $1 million).[9] This trend has slowed since the events of 9/11, but immigration represents a significant part of population growth in the US as the birth rate (natural growth) is low and there is net migration from many states in the snow belt/industrial belt to the sunbelt/desert mountain states.

Population is shifting in cities and states at very different rates. The most recent estimates of population growth of the US Census Bureau for 2004 provide a comparison of the rate of growth since 1990 for the cities, counties and states in our study. It is quite clear that the growth rate is slowest in the urban core.



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[9] Brookings Institution

3.5 SUBJECT CITIES

The four cities selected for this study are each experiencing significant urban condominium development. They provide a good geographic cross section of United States cities: ranging from with the northeast coast (Boston) to the southwest coast (San Diego) and from the Midwest (Chicago) to the southeast (Atlanta). The cities range in population from under 500,000 (Atlanta) to over 2,000,000 (Chicago) residents. One important attribute that these cities have in common is well developed public transportation systems.

The four metropolitan areas have a wide range of median housing prices according to the National Association of Realtors' published statistics.[10]

MEDIAN EXISTING SINGLE FAMILY HOME PRICES
(FIRST Q, 2005) FOR METRO AREAS:

San Diego	$584,100
Boston	$398,300
Chicago	$243,800
Atlanta	$159,500

[10] www.realtor.org/Research.nsf/Pages/MetroPrice

4. ATLANTA CONDOMINIUM MARKET RESEARCH RESULTS

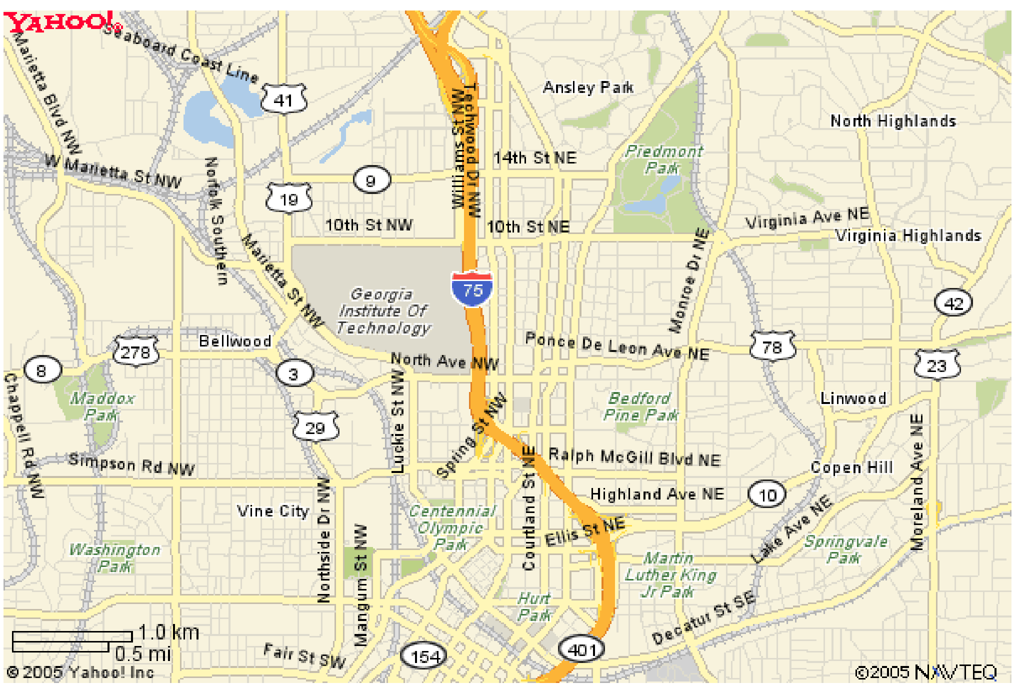
4.1 DOWNTOWN RESIDENTIAL MARKET SNAPSHOT

According to Property and Portfolio Research, Inc.'s 1st Quarter PPR Fundamentals, 52% of the units under construction in Atlanta are multifamily rental and 48% are condo/townhouse. As outlined in the table below, the apartment vacancy rate in Atlanta peaked at 13.1% in 2002 and is estimated to be 10.1% at the end of 2005.

DOWNTOWN RESIDENTIAL MARKET SNAPSHOT: MULTI FAMILY RENTAL MARKET (PROPERTY AND PORTFOLIO RESEARCH)[11]

Year	Inventory	Annual Net absorption	Annual Apt net completions	Apartment Vacancy Rate
12/31/99	295,214	6,351	7,883	5.9%
12/31/00	309,341	13,604	14,128	5.8%
12/31/01	325,241	1,643	15,400	9.9%
12/31/02	341,867	4,041	16,626	13.1%
12/31/03	351,049	10,603	9,182	12.4%
12/31/04	358,026	8,982	6,977	11.5%
12/31/05 (proj.)	362,694	9,345	4,668	10.1%
12/31/06(proj.)	368,476	9,972	5,782	8.8%

The Downtown and Brookwood/Midtown submarkets straddle I75 in the map below.



[11] Property and Portfolio Research, Inc.'s 1st Quarter PPR Fundamentals

Demand Analysis: 2,739 units were sold in calendar year 2004 which is a 25% increase over calendar year 2003. This is the highest recorded volume since 2000. Demand is strongest in the $150,000 - $300,000 price range in projects such as Eclipse, Spire, Element and 1280 West. "Higher end projects, on the other hand, continue to move slowly."[12]

"2004 Year-End" Average Annual Sales and Unsold Inventory[13]

Submarket	Average Annual Sales (2000-2004)	Unsold Inventory (As of 12/04)	Ratio: Inventory /Annual Sales
Downtown	308	298	0.97
Brookwood/Midtown	760	2,113	2.78
Buckhead	744	1,332	1.79
Other Intown	649	1,474	2.27
Totals	2,461	5,217	2.12

Supply Analysis: Approximately 21,578 units in 284 condo projects have been completed or started since 1997 of which 48.5% are conversions. 106 projects in Intown Atlanta still have unsold units:[14]

Submarket	# Projects	# Units	Units closed	Units under contract	Percent Sold
Downtown	11	796	426	72	62.6%
Midtown/Brookwood	18	3,460	618	729	38.9%
Buckhead	25	2,646	976	338	49.7%
Other Intown	52	2,682	886	322	45%
Totals	106	9,584	2,905	1,461	45.6%

Future Outlook: According to Haddow & Company, the ratio of unsold units to average annual sales has increased from 1.16 to 2.12 from 2003 to 2004**.** This dramatic increase reflects the large number of new starts particularly in the Midtown/Brookwood submarket. A 25% increase in sales volume was dwarfed by the new supply. One indication of developer optimism is over 8,000 units proposed in spite of this supply/demand imbalance. The response to new offerings has been very strong indicating strong demand. Within Atlanta, the

[12] Haddow & Company, Condominium Market Overview, Intown Atlanta, Year End 2004
[13] Haddow & Company, Condominium Market Overview, Intown Atlanta, Year End 2004
[14] Haddow & Company, Condominium Market Overview, Intown Atlanta, Year End 2004

Brookwood/Midtown market is successfully wooing office tenants and competing for new residents at the expense of the downtown market.

4.2 ATLANTA ASSESSOR DATA RESULTS

4.2.1 DATA AVAILABLE

The Fulton County Assessor's office in Georgia released a file listing all properties in the Atlanta metropolitan area that have a use code of condominium. In total, 24,851 properties were registered. In addition to the Property Identification Number, we have the Land Use code, Owner name, Unit address, Mailing Address for the tax bill, the Year the condo was built, Square Footage of the unit, Bedroom/Bathroom count, most recent Sale Date, and the Sale Amount.

4.2.2 METHODOLOGY

The assessor's office provided us with fairly comprehensive data, so multiple levels of analysis were run on the data. The number of condos that elected to have the Homeowner Exemption was counted. In Fulton County, a property owner can elect to have the Homeowner Exemption if they are a legal resident of Fulton County and they occupied the selected residence as of January 1, 2005 as their permanent residence and homestead[15].

The mailing address of the tax bill was analyzed in three ways: first a count was done of the mailing addresses that were outside of Georgia (to another state or country), then a count was done of mailing cities that were outside of Atlanta (but in Georgia), and finally, a detailed count of mailing addresses that were to a different street than the subject condo address was performed

[15] Fulton County Board of Assessors, Real Estate Property Tax Return and Application for Basic Homestead

Given the wealth of data available, additional sorts were done to evaluate trends in sales prices by year. Note: 3,852 condo entries did not have a recorded sale date.

4.2.3 RESULTS

In total, 14,069 condo owners elected to have the homeowner exemption, which is 56.6% of the total number of condos in Atlanta.

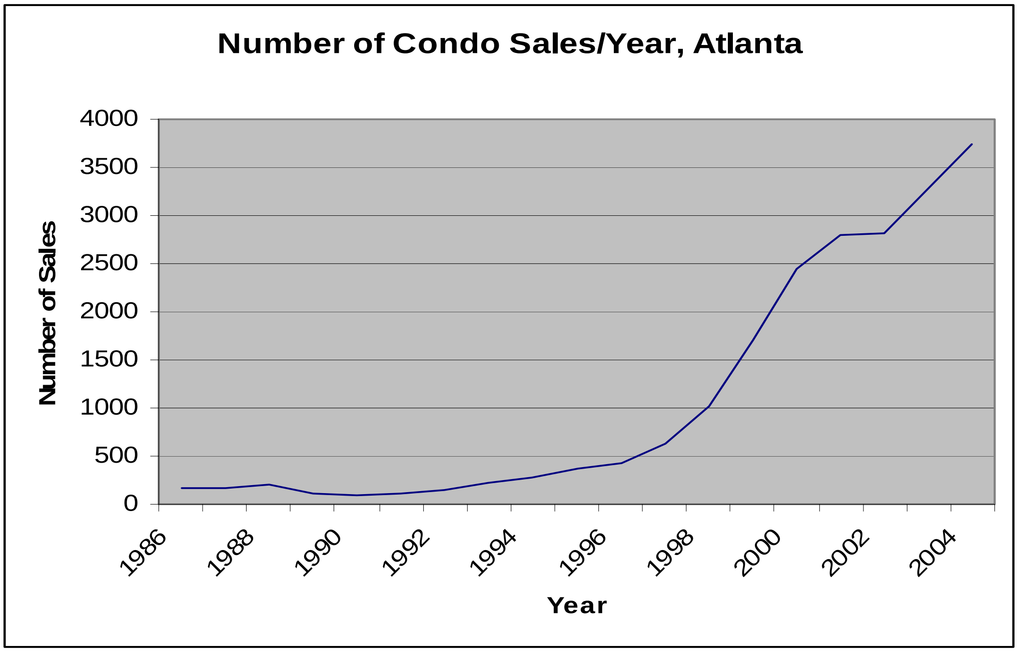
For the tax bills, a total of 3,295 or 13.3% are mailed to locations outside of Atlanta, of which 1,373 are mailed to a different state or country and 1,922 are mailed to another city within Georgia. Comparatively, 23% of the tax bills (5,718) are mailed to a different street address than the condo itself. This indicates that 2,423 tax bills (9.8% of the total) are mailed to another address in Atlanta.

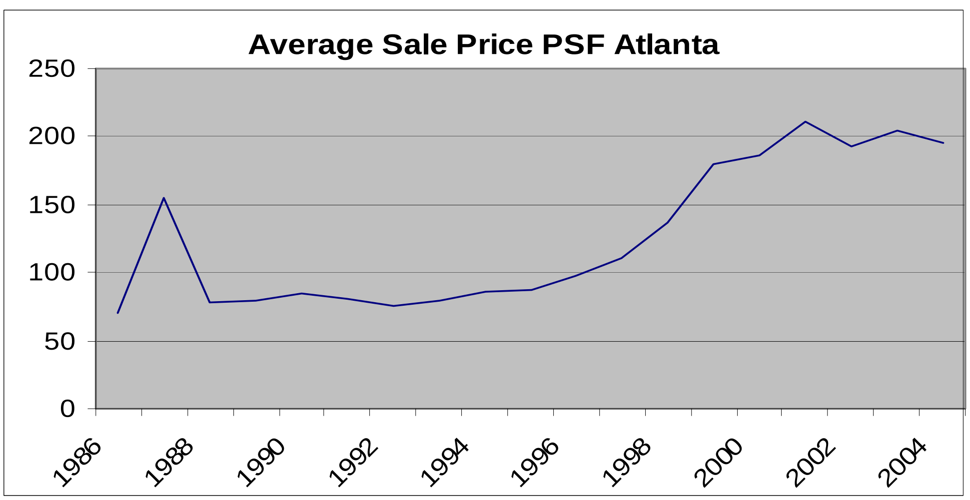
The assessor's data revealed an interesting trend in the sheer volume of condominium sales in Atlanta.

Year	Avg Sales Price	% Increase in Avg Sales Price	Number of Sales	% Increase in Number of Sales
1986	$89,945		161	
1987	$204,636	56%	175	8%
1988	$124,913	-64%	195	10%
1989	$116,925	-7%	120	-63%
1990	$125,506	7%	92	-30%
1991	$125,277	0%	118	22%
1992	$115,976	-8%	141	16%
1993	$117,302	1%	222	36%
1994	$140,101	16%	281	21%
1995	$126,907	-10%	376	25%
1996	$144,038	12%	429	12%
1997	$157,423	9%	621	31%
1998	$168,414	7%	1,019	39%
1999	$204,330	18%	1,702	40%

2000	$224,999	9%	2,436	30%
2001	$252,266	11%	2,789	13%
2002	$226,070	-12%	2,816	1%
2003	$237,899	5%	3,283	14%
2004	$494,526	52%	3,747	12%

There is a dramatic upward trend in the volume of condominium sales each year as well as the average sale price of the condominiums sold.





4.2.4 CONCLUSION

In total, the assessor's data reveals that:

- 56% of condominium owners in Atlanta elect to have the Homeowner's exemption. These owners have to prove that they occupy the subject condo as their primary residence.
- 23% of the tax bills are mailed to a different street address than directly to the subject condominium
    - The 23% is comprised of 9.8% being mailed to another address within Atlanta, 7.7% to another city in Georgia (outside of Atlanta), and 5.5% to another state or country.
- The volume of sales for condominiums has increased 35% from 2000 to 2004. Volume is up 90% from 1995 to 2004.
- The average price per square foot is up 55% in 2004 over 1995 levels, but is up only 4.6% over 2000 averages.

4.3 Atlanta Mortgage Data Results

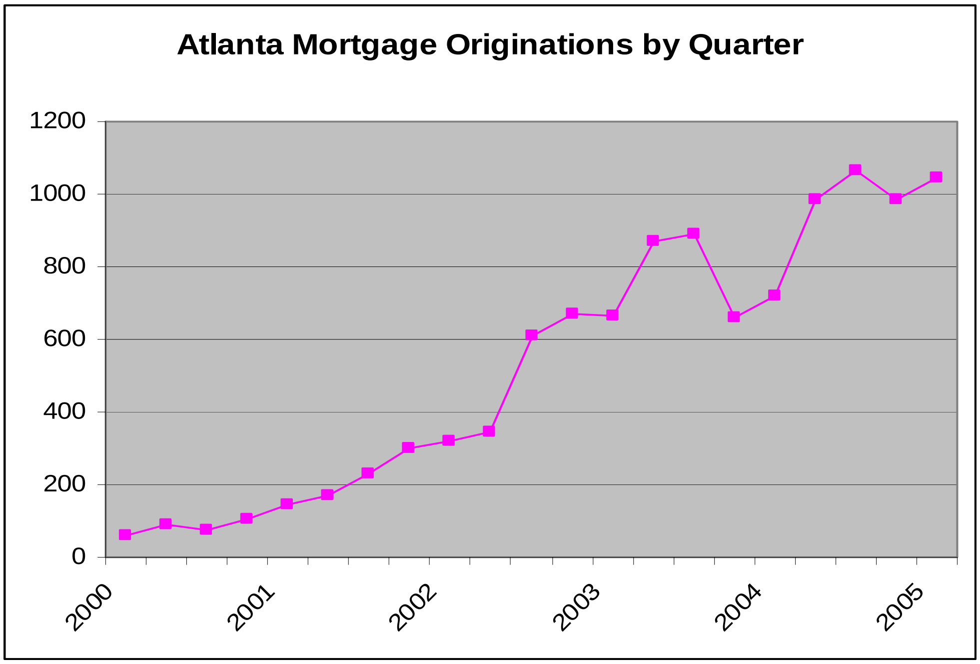
4.3.1 Size of Data Pool

There were a total of 11,625 prime loans originated in Atlanta for urban residential condominiums from first quarter 2000 through the second quarter of 2005. There was a dramatic increase each year on the number of originations, but the number of originations has been increasing at a decreasing rate.

Mortgage Originations by Year

	2000	2001	2002	2003	2004
Atlanta, GA	329	846	1,947	3,091	3,758
% Increase		**61.11%**	**56.55%**	**37.01%**	**17.75%**

Origination numbers broken down quarterly show more volatility, but reveal the upward trend.



4.3.2 DIFFERENT USES OF PROPERTIES

The Loan Performance Data also revealed what the borrowers were going to be using their residential condominiums for. "Owner Occupied" means that the borrower will be using the residence, presumably on a full time basis. "Second Home" means that the borrower will be using the property seasonally or part time. "Non-Owner Occupied" indicates that the property was purchased for investment or other non-occupying intentions. "Other" is a catch-all category which could mean any type of use.

COUNT OF ORIGINATIONS IN ATLANTA BY PROPERTY USE

OCCUPANCY DESC	2000	2001	2002	2003	2004	2005	Grand Total
Owner Occupied	300	760	1,683	2,650	3,228	1,272	9,893
Non-Owner Occupied	19	47	125	124	197	186	698
Other			45	119	101	36	301
Second Home	10	39	91	196	232	160	728
Grand Total	329	846	1,947	3,091	3,758	1,654	11,625

The vast majority of prime loan originations are for Owner Occupied condominiums, but the Non-Owner Occupied and Second Home uses are increasing in Atlanta each year.

A more interesting perspective is each use as a percentage of total originations.

PROPERTY USE AS PERCENTAGE OF TOTAL ORIGINATIONS BY YEAR

OCCUPANCY DESCRIPTION	2000	2001	2002	2003	2004	2005*
Owner Occupied	91.19%	89.83%	86.44%	85.73%	85.90%	76.90%
Non-Owner Occupied	5.78%	5.56%	6.42%	4.01%	5.24%	11.25%
Other			2.31%	3.85%	2.69%	2.18%
Second Home	3.04%	4.61%	4.67%	6.34%	6.17%	9.67%

*Quarters 1 and 2 of 2005 only

While the vast majority of loan originations are overwhelmingly for Owner Occupied condominiums, each year they are a decreasing percentage of the total annual originations, falling steadily from 91% in 2000 to 85% in 2004, with a continued slide in 2005. Non-Owner Occupied usage has hovered somewhat consistently around 5.5%, except for the first two quarters of 2005. Second Home buyers however have been steadily increasing, going from 3% of originations to over 6% in 2004, with a larger jump to over 9% in the beginning of 2005. The total for other uses than owner occupied stays at around 14% for 2002 through 2004, which is a jump up from the 8%-10% levels in 2000 through 2001.

4.3.3 Conclusion

Overall, the mortgage origination data evidences the explosion in the popularity of urban condominiums in Atlanta. The number of prime originations increased by a factor of 10 in just four years, and the numbers for 2005 indicate a continuation of that trend. Additionally, the data reveals that the vast majority of urban condominium purchases are for owner-occupied residences. However, over the past five years there has been a clear trend of an increasing number of second home and investor buyers. In 2003 and 2004, the loans granted for non owner occupied condominiums was around 14%, which is an increase of the 2000 level of 8.8%.

4.4 Atlanta Survey Results

4.4.1 Data Collection/Sample Size

Thirty major condominium developers and brokerage/marketing firms currently active in the Atlanta market received a letter asking for their participation in this research project. The study area was limited to the **Downtown and Brookwood/Midtown submarkets**.

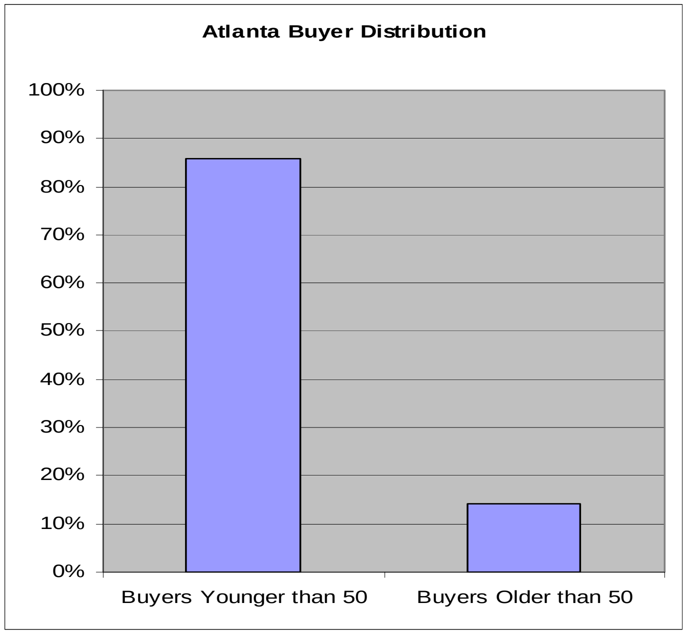
Responses were received for eight condo projects with a total 1,847 condo units (an average of 231 units per project). These eight projects will be delivered between 2002 and 2006. According to the consulting firm Haddow & Company, a total of 7,492 units were delivered in the downtown and midtown markets during the five year period from 1999 through 2004 for which there is data. Therefore, our sample represents 25% (1847 units/7492 units) of that six year total.

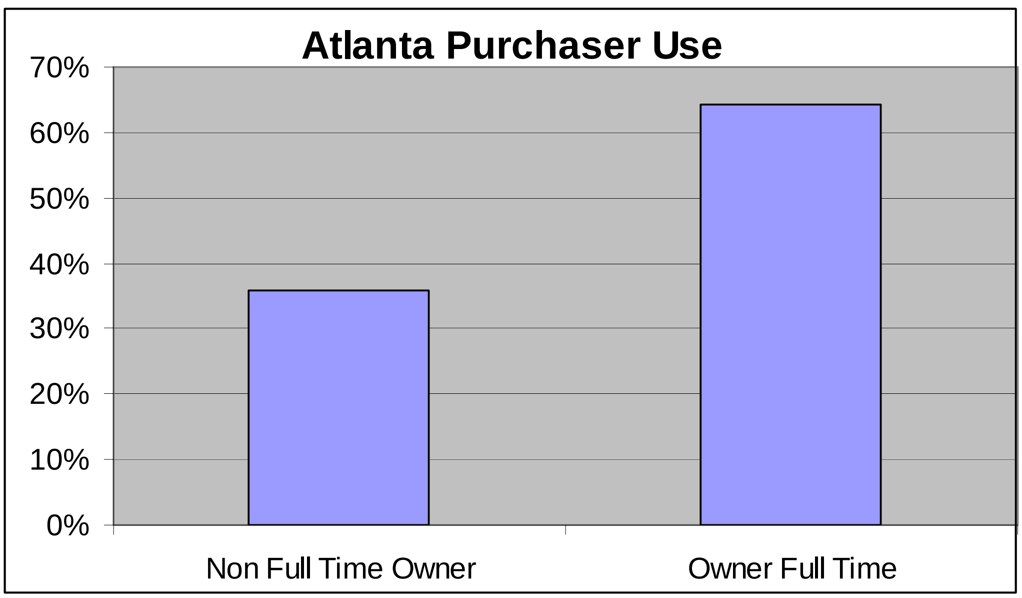
4.4.2 DATA POOLING

To protect participants' project level confidential information, the data for Atlanta was pooled to look at the combined attributes of the projects and the buyers. In some cases, where percentage breakdowns were provided, the actual counts are based either on the total number of units in the project or the number of units sold to date in the project, depending on whether or not the project had sold out. The percentages in the report are calculated by dividing the number of people that answered the question in a particular category by the number of overall responses to that question. A series of graphs and charts demonstrate the results of the survey.

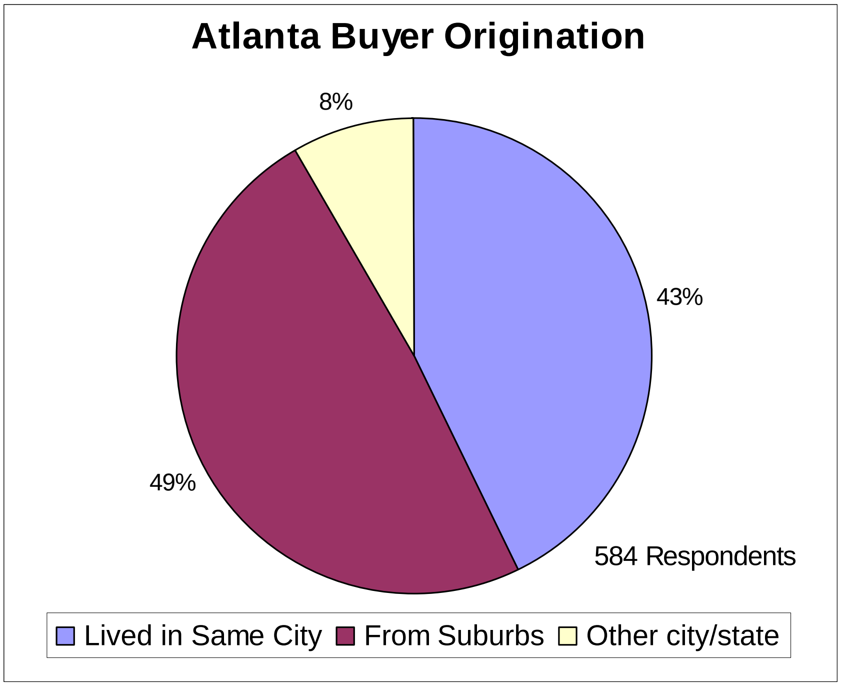
4.4.3 RESULTS:

Data from 1641 sold units in eight Atlanta condo projects with a total of 1,847 units (88.85% sold out):

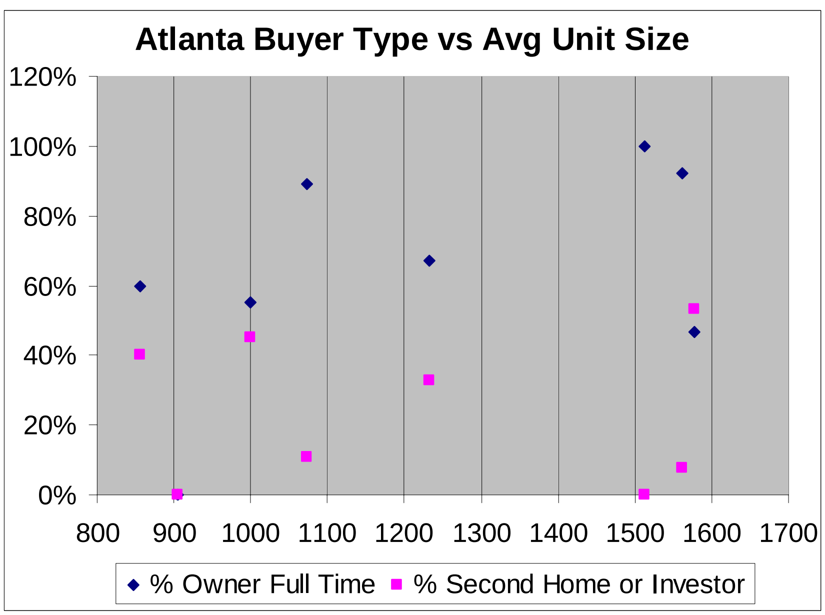




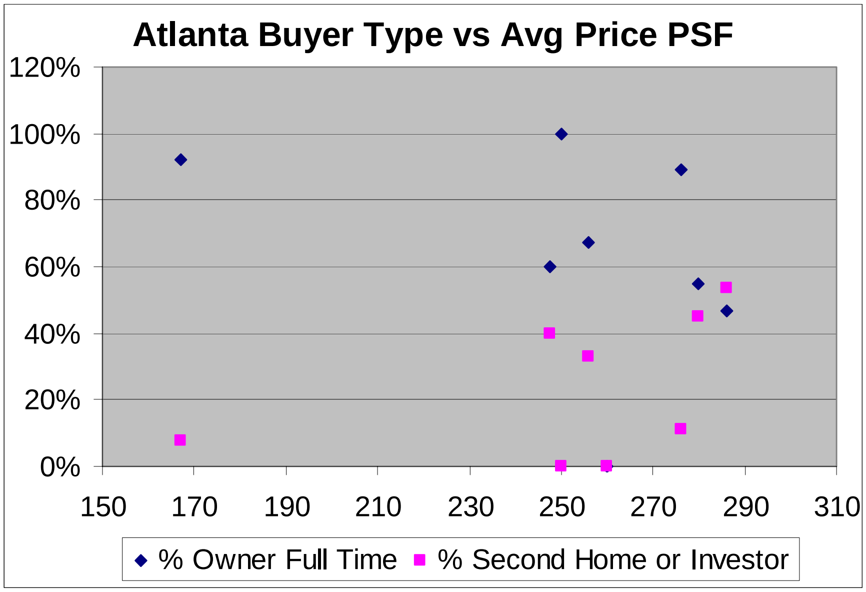
It is abundantly clear from the graphs above that this market is driven by younger buyers. Over 80% of buyers are under 50 years of age and approximately 64% are using their condo as their primary residence, while investors and second home buyers comprise 36% of the new condominiums purchased.



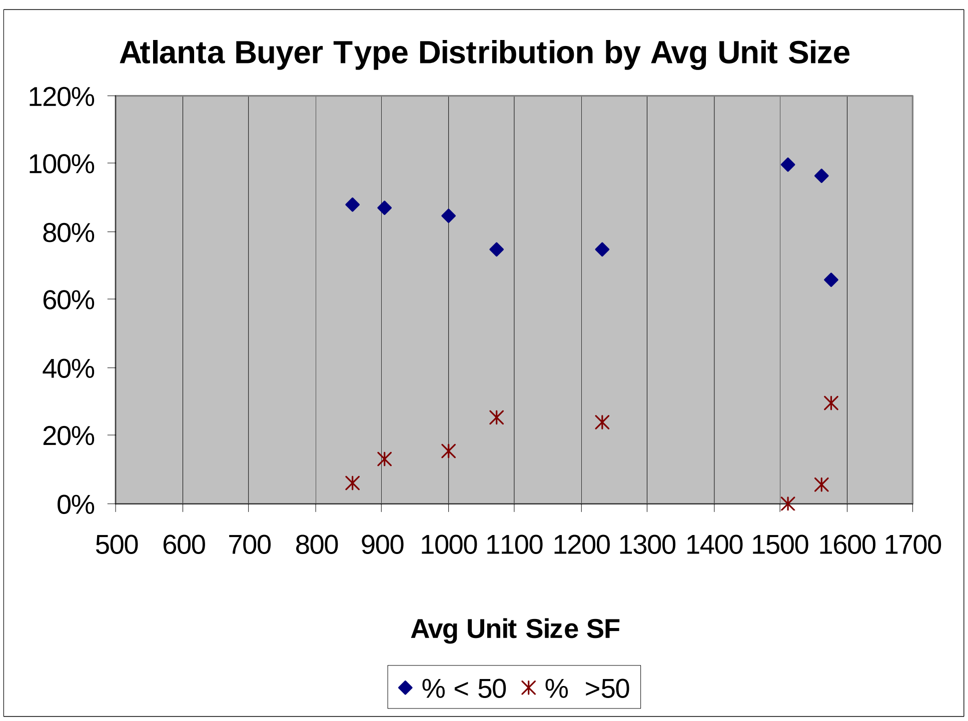
As will be shown in the other cities, the majority of the buyers originate from the surrounding areas. Atlanta has an almost even split between buyers originating from the city and from the suburbs.



A greater percentage of full time owners favor larger units while second home buyers and investors favor smaller units.



Buyer type does not predict price per square foot. This survey of properties has multiple price points for full-time residents, second home buyers and investors.



4.4.4 CONCLUSION

The Downtown and Brookwood/Midtown Atlanta markets are driven by younger buyers and owner occupants, attracted to the urban amenities of an intown location and the condominium lifestyle.

4.5 Comparison of Results

Assessor Data:

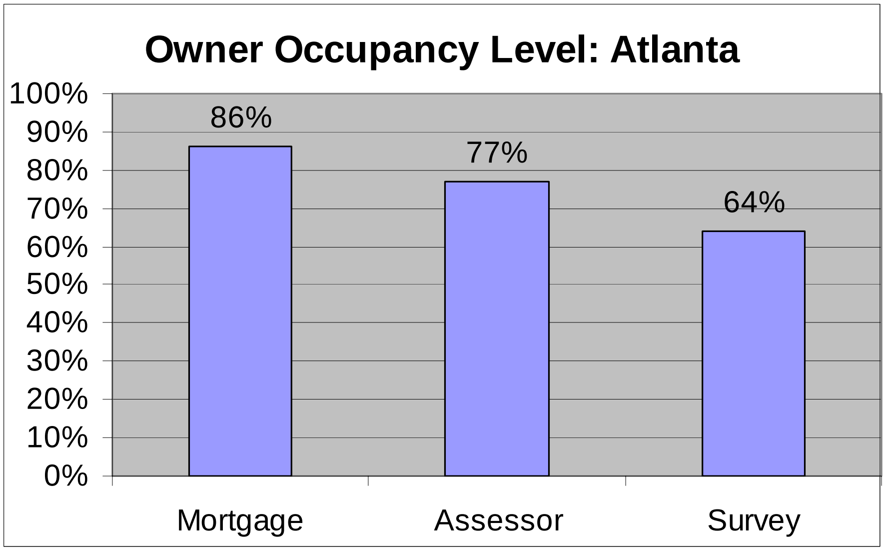
- **56% made homeowner exemption election**
- **77% had tax bill sent to their condo**
- 23% had tax bill sent to a different address broken down as follows:
  - 9.8% within Atlanta
  - 7.7% to another city in the state of Atlanta
  - 5.5% to another state or country
- Sales volumes have grown from 92 units at an average price of $125,506 in 1990 to 3,747 units at an average price of $494,526 in 2004. The rate of growth in price per square foot has leveled off since 2000.

Mortgage Data: CY 2004 (new originations)

- **85.9% owner occupied**
- 14.1% non owner occupied
  - 6.17% Second home
  - 5.24 % Non owner occupied
  - 2.69% Other
- There have been 11,625 loan originations since 1st Quarter 2000.

Survey Data:

- **64% Owner occupied**
- 36% Second home/investment
- 14% Age 50 and over
- 86% Under age 50
- 49% of Buyers are from the Atlanta suburbs
- 43% of Buyers are from Atlanta



Because many people who are eligible do not elect the homeowner exemption, the most reliable indicators of owner occupancy range are gleaned from the assessor data on where tax bills are sent, the mortgage election as prime residence and the data from the surveys. These range from a low of 64% to a high of 86%. This broad range is plausible when one considers that mortgage data misses those second home buyers who buy with all cash. The surveys have included some of the newest and flashiest projects, which would have a tendency to attract investor interest. Several of the projects surveyed have sold out even before construction commences. Regardless, the level of second home and investor participation in Atlanta is substantial. The assessor data suggests a 77% owner occupancy rate which seems most reasonable.

5. BOSTON CONDOMINIUM MARKET RESEARCH RESULTS

5.1 DOWNTOWN RESIDENTIAL MARKET SNAPSHOT

Multi family rental market:

The apartment vacancy rate peaked in 2003/2004 and is slowly reducing as outlined in the following table:[16]

Year	Inventory	Annual Net absorption	Annual Apt net completions	Apartment Vacancy Rate
12/31/99	418,549	3,462	2,624	2.9%
12/31/00	421,514	3,301	2,966	2.8%
12/31/01	423,898	-2,346	2,384	3.9%
12/31/02	426,096	-2,974	2,198	5.0%
12/31/03	428,236	-965	2,140	5.7%
12/31/04	431,343	2,764	3,107	5.7%
12/31/05 (proj.)	433,632	3,451	2,288	5.4%
12/31/06(proj.)	436,238	3,351	2,606	5.2%

Condominium sales volume and pricing has accelerated from 1999 to 2004:[17]

CONDOMINIUM TRANSACTION VOLUMES AND AVERAGE PRICE

1999	3,170 units	$320,438
2000	3,219 units	$438,335
2001	2,736 units	$473,765
2002	3,467 units	$477,327
2003	3,295 units	$484,717
2004	4,200 units	$523,810

This price segmentation of the market shows increasing percentages of higher priced units.

Year	< $500,000	$500,000 - $1M	> $1M
2001	72.4%	20.5%	7.1%
2002	66.7%	24.4%	8.9%
2003	65.7%	24.9%	9.3%
2004	56.8%	32.4%	10.7%

[16] Property and Portfolio Research, Inc.'s 1st Quarter PPR Fundamentals.
[17] Otis & Ahearn Downtown Condominium Market Summary Overview 2004

The breakdown by neighborhood shows growth in transaction volume in South Boston and the North End, areas that are attractive to younger buyers.[18]

Submarket	2002	2003	2004
Back Bay	18.7%	17.1%	14.3%
Beacon Hill	7.7%	6.5%	7.9%
Charlestown	11.7%	9.3%	9.0%
East Cambridge	1%	.9%	.8%
Fenway	7.2%	7.1%	7.5%
Leather District	.9%	.9%	.6%
Midtown	4.3%	2.9%	3.8%
North End	2.4%	2.4%	**4.6%**
South Boston	13%	14.5%	**17.7%**
South End	25.6%	30.1%	23.4%
Seaport	.5%	.9%	2.5%

[18] Otis & Ahearn Downtown Market Summary Overview 2004

West End	2.6%	2.4%	2%
Waterfront	4.2%	4.9%	4.4%

Demand Analysis: According to Otis & Ahearn, "the biggest demand generator continues to be the large pool of baby boomers in a broad range of prices moving back into the city along with the traditional young professional singles and couples. Movement within the city has increased fairly dramatically in the last two years also."[19] Inventory at year end 2004 was only about 1000 units, while 4200 units were absorbed during the same year indicating only a three month supply.

Supply Analysis: Annual transaction volumes from 1999 to 2004 have ranged from a low of 2,736 (2001) to a high of 4,200 (2004).

5.2 BOSTON ASSESSOR DATA RESULTS

5.2.1 DATA AVAILABLE

The Suffolk County Assessor's office in Massachusetts publishes a data file each year listing all properties in the county. In Suffolk County there are 292,520 housing units. This huge database was parsed into properties with a use code for condominiums and then further whittled down to only condos in the 11 zip codes that comprise the downtown areas of study: 02108, 02109, 02110, 02111, 02113, 02114, 02115, 02116, 02118, 02210, and 02215. In total, 21,461 condominiums are registered in these geographic areas. In addition to the Property Identification Number, the assessor's data included the Owner name, Unit address, Mailing Address for the tax bill, and the Homeowner Exemption status.

5.2.2 METHODOLOGY

[19] Otis & Ahearn Downtown Condominium Market Summary Overview 2004, www.otisahearn.com

The published database did not provide the most recent sale date and sale amount, so only a few different tests were run on the information. The number of condos that elected to have the Homeowner Exemption was counted. In Suffolk County, a property owner can elect to have the Homeowner Exemption if they are a taxpayer in the City of Boston and they occupied the selected residence as of January 1, 2005 as their principal residence[20]. The taxpayer's MA income tax return must be filed with the subject property's address. The Homeowner Exemption provides for a tax savings of approximately $1,223 in 2005.

The mailing address of the tax bill was analyzed by zip code, as the situs zip of the condominiums were provided.

5.2.3 RESULTS

In total, 11,218 condo owners elected to have the homeowner exemption, which is almost 52% of the total number of condo sales provided.

For the tax bills, a total of 16,385 or 76% are mailed to the same zip code as the subject condominium. The breakdown by zip code is as follows:

	Total # of Condos	% of Total Condos in Zip	Number of Units with Homeowner Exemption	% of condos that have HO Exemption	Mail to Same Zip Code	% Mailed to Same Zip Code
02108	855	4%	426	50%	636	74%
02109	1,079	5%	614	57%	823	76%
02110	917	4%	443	48%	667	73%
02111	1,035	5%	448	43%	799	77%
02113	956	4%	399	42%	679	71%
02114	2,662	12%	1,376	52%	2,085	78%
02115	2,716	13%	1,249	46%	1,742	64%
02116	5,334	25%	3,016	57%	4,274	80%
02118	3,530	16%	2,393	68%	3,199	91%
02210	206	1%	119	58%	169	82%

[20] Suffolk County Board of Assessors, "Residential Exemption Application," July 2004.

02215	2,171	10%	735	34%	1,312	60%
Total	**21,461**	**100%**	**11,218**	**52%**	**16,385**	**76%**

5.2.4 CONCLUSION

- 52% of condo owners have the homeowner's exemption
- 24% of condo owners have their tax bill mailed to another zip code address than the subject condo.

5.3 BOSTON MORTGAGE DATA RESULTS

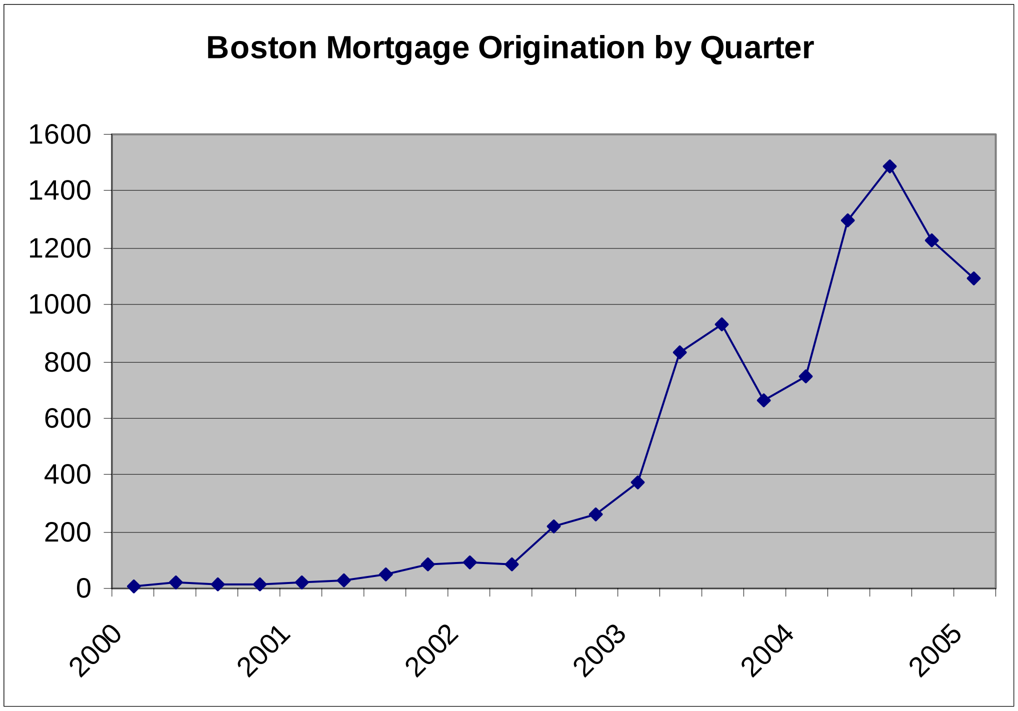
5.3.1 SIZE OF DATA POOL

There were a total of 10,344 prime loans originated in Boston for urban residential condominiums from first quarter 2000 through the second quarter of 2005. There was a dramatic increase each year on the number of originations, but the explosive growth in the number of condominium loans seem to have peaked in 2003. The 41% increase in loan originations in 2004 is still impressive, but slightly less dramatic than the 70% growth in each of the previous 3 years.

MORTGAGE ORIGINATIONS BY YEAR

	2000	2001	2002	2003	2004
Boston, MA	58	190	656	2,801	4,760
% Increase		**69.47%**	**71.04%**	**76.58%**	**41.16%**

Origination numbers broken down quarterly show more volatility, but still reveal the upward trend.



5.3.2 DIFFERENT USES OF PROPERTIES

The Loan Performance Data also revealed what the borrowers were going to be using their residential condominiums for. "Owner Occupied" means that the borrower will be using the residence, presumably on a full time basis. "Second Home" means that the borrower will be using the property seasonally or part time. "Non-Owner Occupied" indicates that the property was purchased for investment or other non-occupying intentions. "Other" is a catch-all category which could mean any type of use.

COUNT OF ORIGINATIONS IN BOSTON BY PROPERTY USE

OCCUPANCY DESC	2000	2001	2002	2003	2004	2005*	Grand Total
Non-Owner Occupied	3	16	47	110	282	131	589
Other			27	148	186	48	409
Owner Occupied	50	165	537	2,402	4,072	1,586	8,812
Second Home	5	9	45	141	217	114	531
Grand Total	58	190	656	2,801	4,760	1,879	10,344

*Quarters 1 and 2 only in 2005

The vast majority of prime loan originations are for Owner Occupied condominiums, but the Non-Owner Occupied and Second Home uses are increasing in Boston each year.

A more interesting perspective is each use as a percentage of total originations.

PROPERTY USE AS PERCENTAGE OF TOTAL ORIGINATIONS BY YEAR

OCCUPANCY DESC	2000	2001	2002	2003	2004	2005*	Average
Non-Owner Occupied	5.17%	8.42%	7.16%	3.93%	5.92%	6.97%	6.26%
Other	0.00%	0.00%	4.12%	5.28%	3.91%	2.55%	2.64%
Owner Occupied	86.21%	86.84%	81.86%	85.76%	85.55%	84.41%	85.10%
Second Home	8.62%	4.74%	6.86%	5.03%	4.56%	6.07%	5.98%

*Quarters 1 and 2 of 2005 only

The vast majority of loan originations are overwhelmingly for Owner Occupied condominiums, and the number of loans for Owner Occupied condominiums has stayed proportionate to the increasing number of loans each year. The Second Home and Non-Owner Occupied uses are still a significant percentage of the total number of originations, but there is no substantial overall change in the significance of one type of use over another.

5.3.3 CONCLUSION

Overall, the mortgage origination data evidences the explosion in the popularity of urban condominiums in Boston. The number of prime originations increased from just 58 loans in 2000 to over 4,700 in 2004. Additionally, the data reveals that the vast majority of urban condominium purchases are for owner-occupied residences. Over the past five years, this has stayed proportionally at around 85% of the total originations. The second home and non-owner occupied use of condominiums has been significant and steady in Boston.

5.4 BOSTON DEVELOPER SURVEY RESULTS

5.4.1 DATA COLLECTION/SAMPLE SIZE

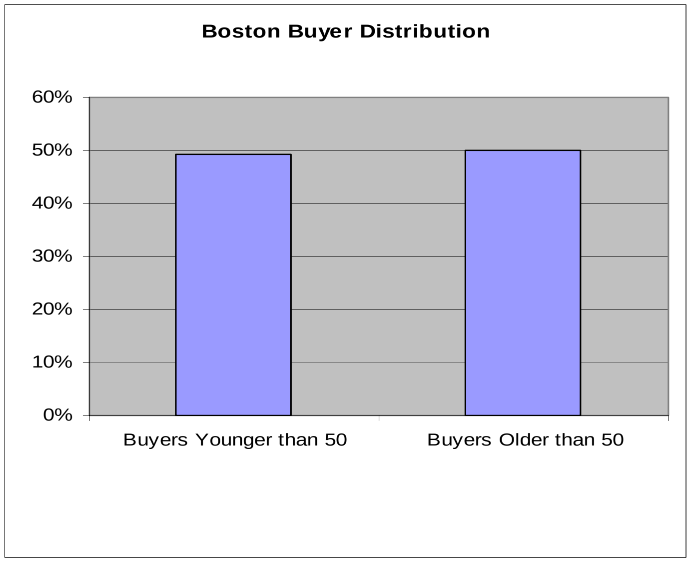
A letter was sent to approximately thirty-five major condominium developers and brokerage/marketing firms asking for their participation in the research project. The focus was on projects in the **downtown Financial District, North Station, Leather District, Midtown, Back Bay, and South End,** the neighborhoods most directly tied to the public transportation network in Boston. South Boston, East Boston and Charlestown were intentionally omitted from the analysis. Responses for 13 condo projects (a total of 1318 units of which 914 have sold) were received. These 914 sold units compare with an overall total of 16,917 condo units sold in the *entire* downtown market (as defined by Otis & Ahearn) during the period from 2000 to 2004. This represents a sample of 5.38% of this total.

5.4.2 DATA POOLING

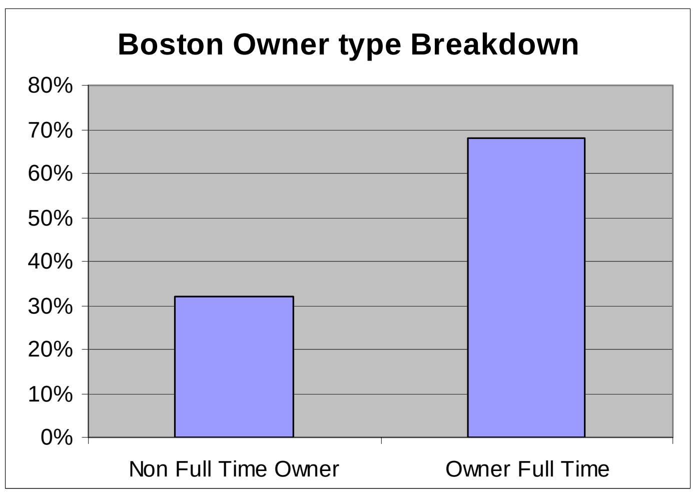
To protect participants' project level confidential information, the data was pooled for Boston in order to look at the combined attributes of the projects and the buyers. In some cases, where percentages were provided, the actual counts were based on either the total number of units in the project or the number of units sold to date in the project, depending on whether or not the project had sold out. The percentages in our report are calculated by taking the number of people that answered the question in a particular category and dividing by the number of overall responses to that question.

5.4.3 RESULTS

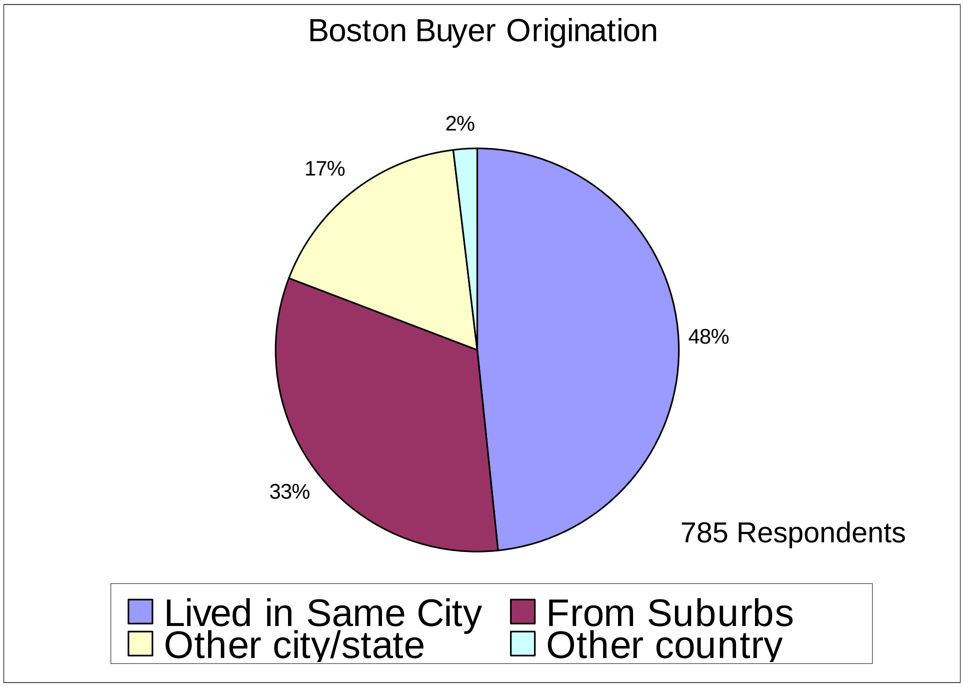
There is a remarkable balance between buyers older and younger than 50 as shown below:



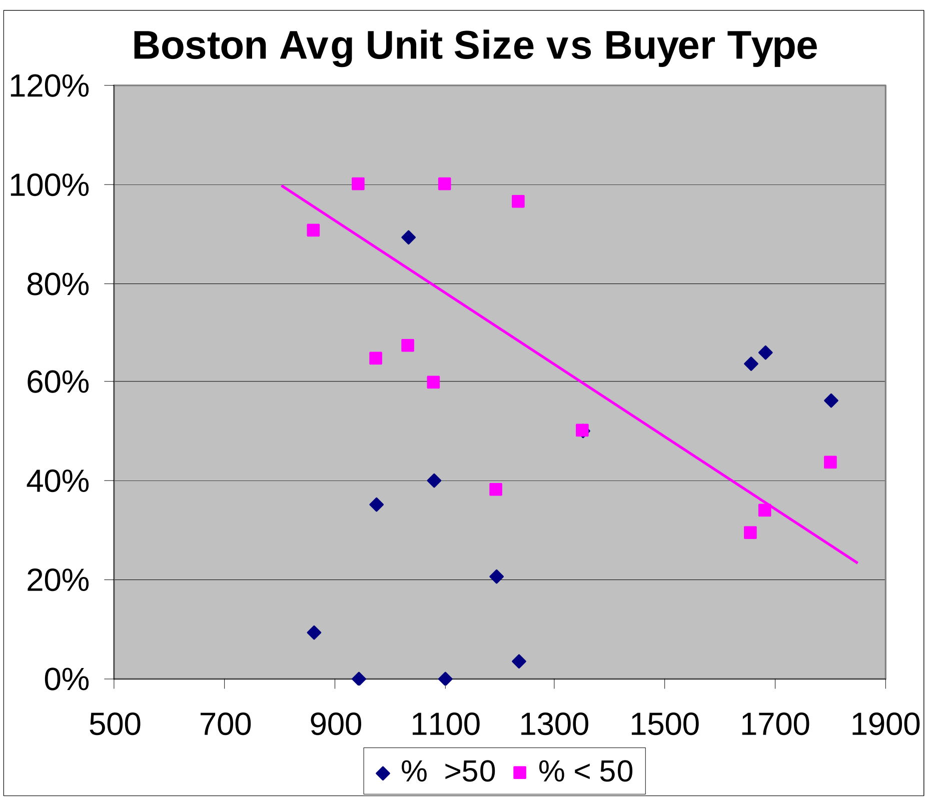
A large percentage of demand in Boston (32%) is coming from second home buyers and investors.



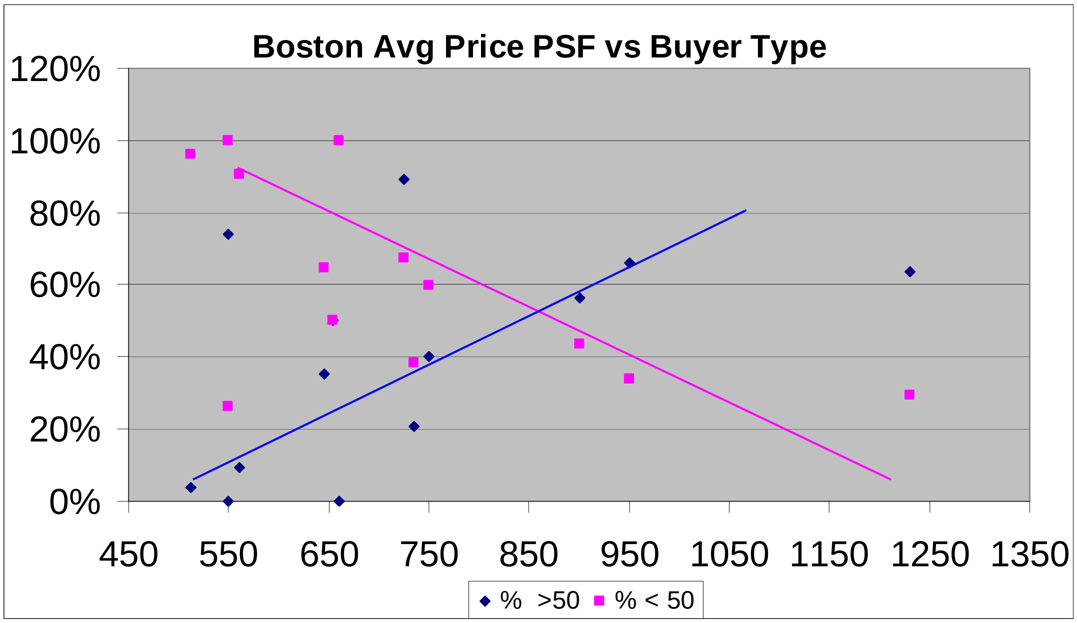
Boston does have a significant number of buyers (19%) that originated in another city, state or country. The vast majority of buyers are moving from other locations in Boston, while 33% are moving in from the suburbs.



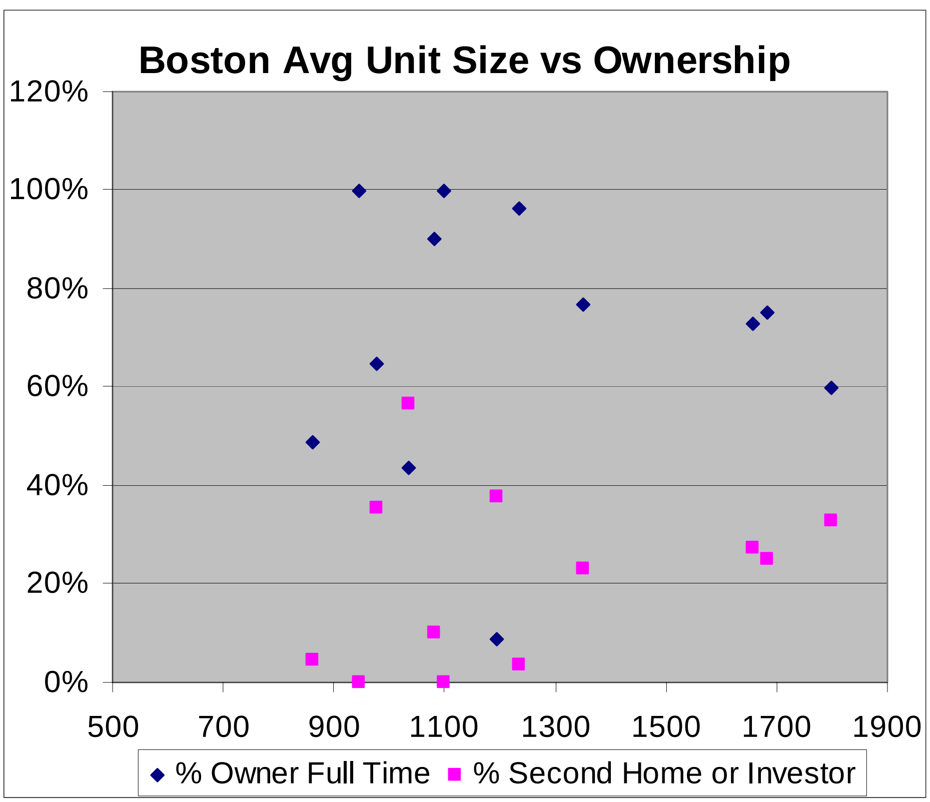
Among 11 Boston projects, as would be expected, buyers over 50 years old tend to buy larger units:



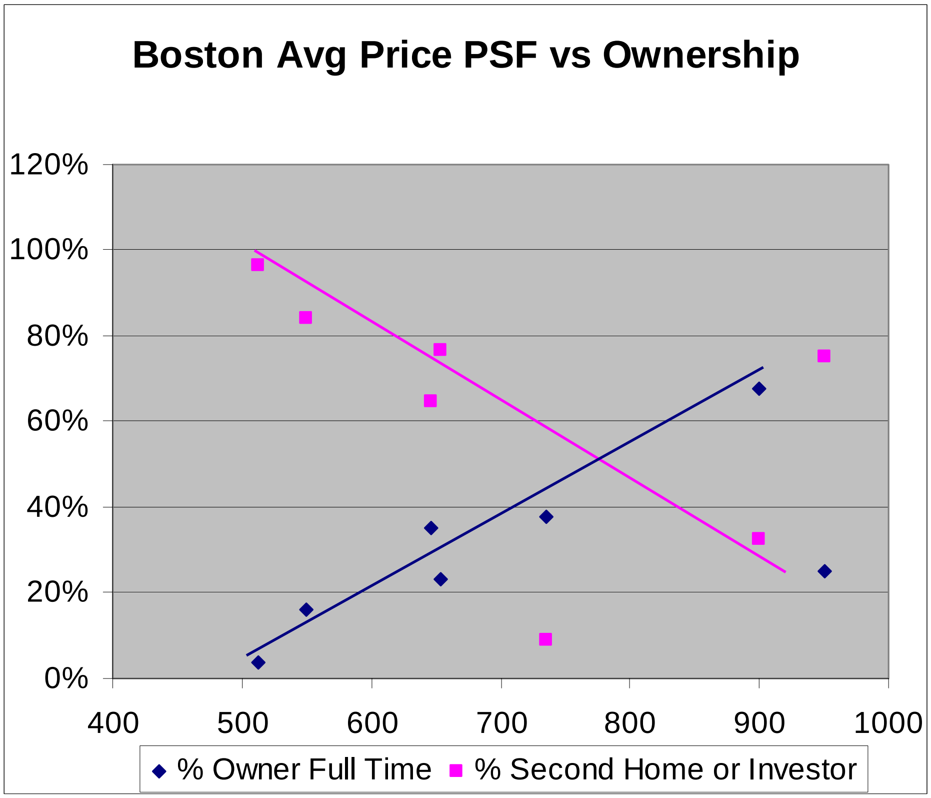
Younger buyers are clearly buying at a lower price point.



Unit size does not appear to be correlated to age in Boston.



Second home buyers and investors favor smaller units.



5.4.4 CONCLUSION:

It is clear from the results in Boston that there is a significant demand from second home buyers and investors and there is equal representation from buyers over and under age 50. The second home buying in Boston may be related to the large number of students and young adults living in Boston whose parents are buying "kiddie condos".

5.5 COMPARISON OF RESULTS

Assessor Data:

Homeowner exemption election: 52%
Percentage electing to have tax bill sent to the same zip: 76%
Percentage electing to have tax bill sent to different zip: 24%

Mortgage Data: CY 2004

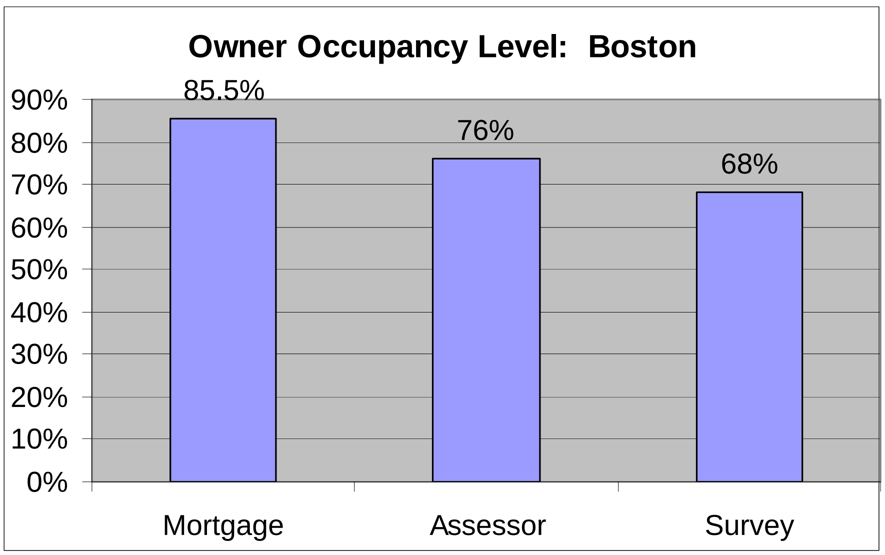
85.5% owner occupied

14.39% non-owner occupied
    4.56% Second home
    5.92% Non owner occupied
    3.91% Other

There have been 10,344 loan originations since 1st quarter 2000.

Survey Data:

68% Owner occupied
32% Second home/investment
50% Age 50 and over
50% under age 50



Eliminating the homeowner election because many buyers overlook it, the three most reliable indicators of owner occupancy are compared and range from a low of 68% to a high of 85.5%. As stated previously, the assessor percentage of **76%** seems most reliable given the same reasons discussed above: namely, the all cash buyers not being captured in the mortgage data and the likelihood that the newer properties in the survey might attract a higher than average investor percentage than a true city-wide average.

6. CHICAGO CONDOMINIUM MARKET RESEARCH RESULTS

6.1 DOWNTOWN RESIDENTIAL MARKET SNAPSHOT:

The multi-family vacancy rate is projected to be 4.9% by year end 2005.

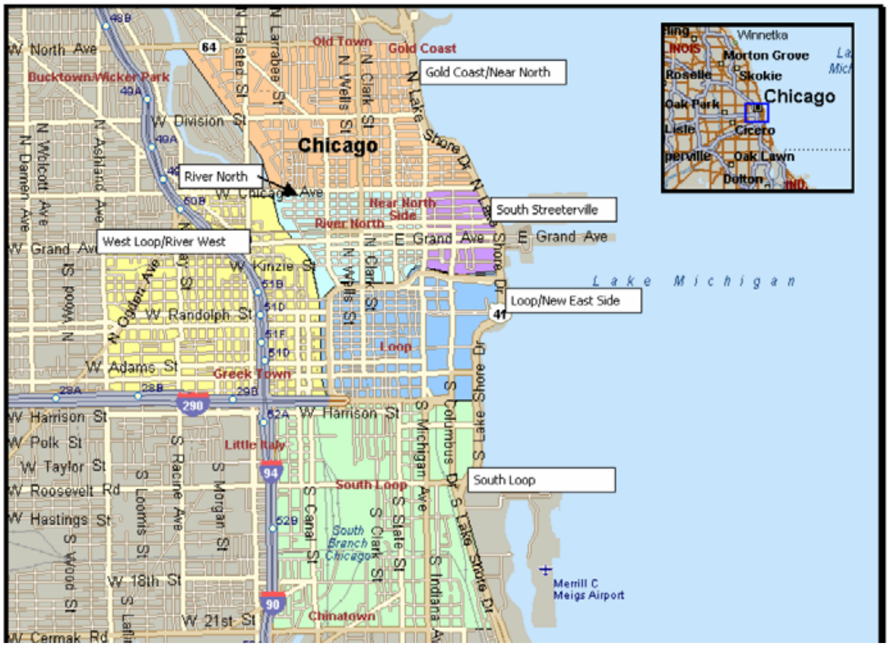
MULTI-FAMILY RENTAL MARKET[21]

Year	Inventory	Annual Net absorption	Annual Apt net completions	Apartment Vacancy Rate
12/31/99	616,060	1399	-523	2.4%
12/31/00	618,755	2,322	2,695	2.5%
12/31/01	621,641	-1,846	2,886	3.2%
12/31/02	625,230	-2,779	3,589	4.2%
12/31/03	627,720	-628	2,489	4.7%
12/31/04	629,633	438	1,913	4.9%
12/31/05 (proj.)	630,902	3,680	1,270	4.5%
12/31/06(proj.)	632,134	3,476	1,232	4.1%

Beginning 1990 and projected through 2008, over 48,000 new units of housing will have been delivered to the Chicago Downtown Residential Market for a total of over 90,000 units.[22] The urban core market area can into the following key submarkets: Loop/New Eastside, South Loop, River North, West Loop/River West, South Streeterville, and Gold Coast/Near North. Within these submarkets are several master planned communities where sales have been particularly strong. These include Central Station/Museum Park, Lakeshore East, the Montgomery Ward campus and University Village/University Commons developments.

[21] Property and Portfolio Research, Inc.'s 1st Quarter PPR Fundamentals
[22] Appraisal Research Counselors For Sale Market Overview – First Quarter 2005, page 1.

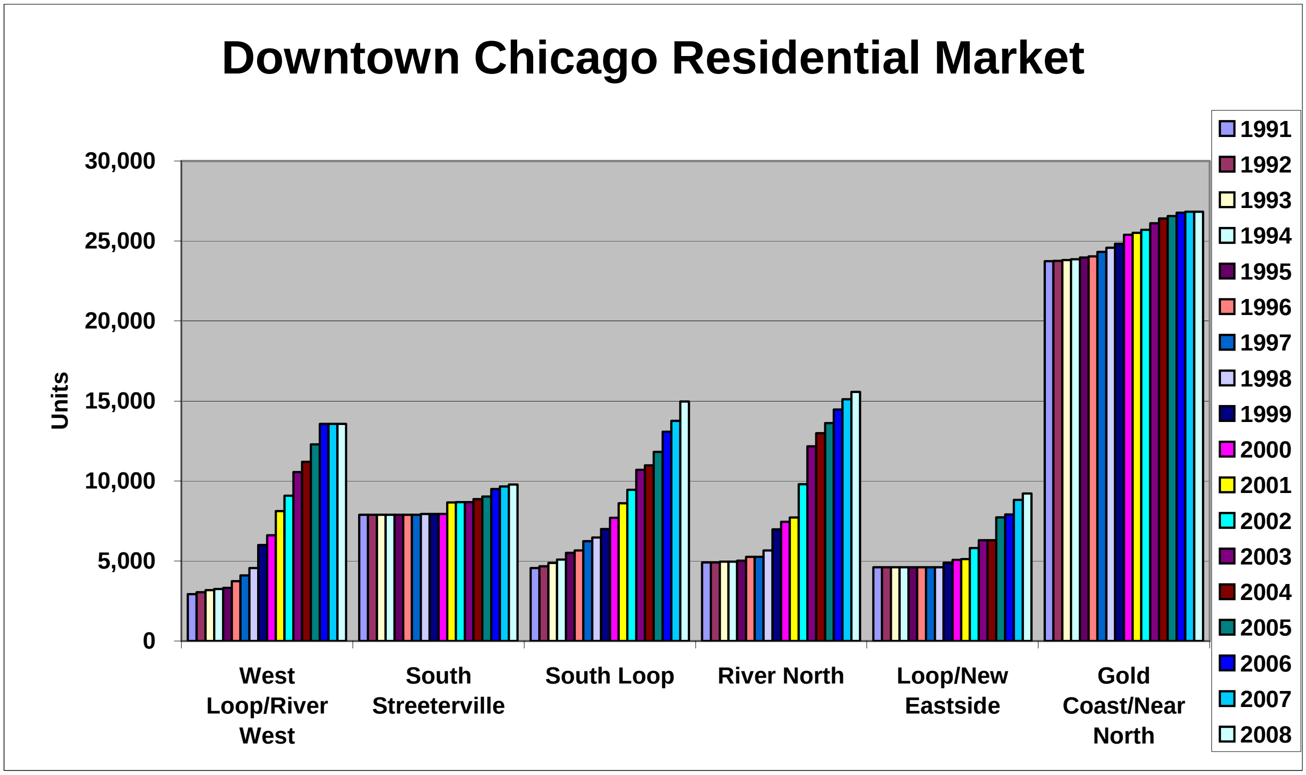
The Downtown Chicago residential market is comprised of several submarkets that extend from North Avenue (1600 north) on the north to Cermak Road (2200 south) on the south, and from Lake Michigan on the east to portions of the Chicago River and Ashland Avenue on the west.



SUMMARY OF THE DOWNTOWN CHICAGO HOUSING MARKET: 2005-2008 PROJECTED[23]

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
West Loop/River West	2,923	3,043	3,182	3,247	3,310	3,737	4,108	4,555	6,003	6,617	8,115	9,088	10,552	11,208	12,296	13,575	13,575	13,575
South Streeterville	7,883	7,883	7,883	7,883	7,883	7,883	7,885	7,943	7,947	7,947	8,666	8,674	8,674	8,864	9,023	9,504	9,659	9,792
South Loop	4,557	4,672	4,875	5,078	5,513	5,656	6,248	6,477	6,991	7,702	8,601	9,451	10,691	10,975	11,824	13,078	13,768	14,971
River North	4,911	4,911	4,955	4,955	5,022	5,261	5,261	5,664	6,986	7,454	7,722	9,797	12,167	12,991	13,622	14,458	15,107	15,568
Loop/New Eastside	4,616	4,616	4,616	4,616	4,616	4,616	4,616	4,616	4,887	5,071	5,113	5,807	6,296	6,296	7,731	7,900	8,811	9,225
Gold Coast/Near North	23,744	23,761	23,802	23,872	23,970	24,033	24,315	24,584	24,822	25,391	25,517	25,698	26,110	26,401	26,565	26,774	26,824	26,824
Total	**48,634**	**48,886**	**49,313**	**49,651**	**50,314**	**51,186**	**52,433**	**53,839**	**57,636**	**60,182**	**63,734**	**68,515**	**74,490**	**76,735**	**81,061**	**85,289**	**87,744**	**89,955**

[23] Appraisal Research Counselors, Chicago Housing Projections, 2005



Since the mid-1990s, Appraisal Research Counselors has followed 45,307 units of new housing and they fall into the following categories (which, however, include reservations):

BREAKDOWN OF CHICAGO CONDOMINIUM SUPPLY

Unit Type	Total Units	Percentage of Total
Adaptive Reuse Condo Units	9,448	20.85%
New Construction Condo Units	21,188	46.76%
New Construction Townhouse Units	2,227	4.92%
Condo Conversion Units (Former Apts.)	12,444	27.47%

Demand Analysis: According to Appraisal Research Counselors, this high level of demand is fueled by the booming second home market of suburbanites and out-of-towners. "They include empty nesters planning a move downtown, and buying a primary residence, others desiring an in-town unit for occasional usage, some purchasing a 'kiddie condo unit' for their young adult children, or others merely speculating on the market".[24] Sales velocities are weakest in the luxury segment of the market where attractive resale opportunities exist.

Supply Analysis: A total of 13,992 units in 104 projects were delivered to the market from 2000 to 2004. In the first quarter of 2005, 1330 units in 10 projects came to the market. From 2000 through the first quarter of 2005, 82% have been sold, leaving 2666 units unsold.

NEW CONSTRUCTION CONDO DEVELOPMENTS

Year	Total Units	Units Sold	Unsold Units	# Projects	% Sold
2000	3,718	3,621	87	30	98%
2001	3,407	3,102	305	26	91%
2002	2,085	1,910	175	16	92%
2003	1,140	810	330	8	71%
2004	3,642	2,414	1,228	24	66%
2005 (1st Q)	1,330	789	541	10	59%

Market Catalysts/Outlook:

The development of Millennium Park has stimulated high rise condominium development south of the Chicago River into the Loop and South Loop at prices in excess of $500 per square foot. Two large planned developments, Lakeshore East and Central Station/Museum Park, fall within this growing market area. The expansion of the McCormack Place convention and hotel facilities and the reconstruction of Chicago Stadium have also added to the cache of this area.

6.2 CHICAGO ASSESSOR DATA RESULTS

6.2.1 DATA AVAILABLE

The Cook County Assessor's office in Illinois put together a data file for this research. They provided data records on every condominium in Cook County, which is around 160,000 properties. This huge database was parsed down to the specific downtown area, leaving a database of 25,333 condominiums based on zip codes 60601, 60602, 60603, 60604, 60605,

[24] Appraisal Research Counselors, For Sale Market Overview – 1st Quarter, 2005, page 12.

and 60611. In addition to the Property Identification Number, the assessor's data included the Unit address, Mailing Address for the tax bill, Sale Date, Sale Amount, and the Homeowner Exemption status.

6.2.2 METHODOLOGY

The assessor's office provided fairly comprehensive data, so multiple levels of analysis were run. The number of condos that elected to have the Homeowner Exemption was counted. In Cook County, a property owner can elect to have the Homeowner Exemption if they occupied the selected residence as of January 1 that year as their principal residence[25]. The exemption ensures that the taxable value of the home will not increase by more than 7% per year and reduces the equalized assessed value of the home.

The mailing address of the tax bill was analyzed in a few different ways. One was by state, determining how many tax bills are mailed to locations outside of Illinois, then by city, and then by zip code, as the situs zip of the condominiums were provided.

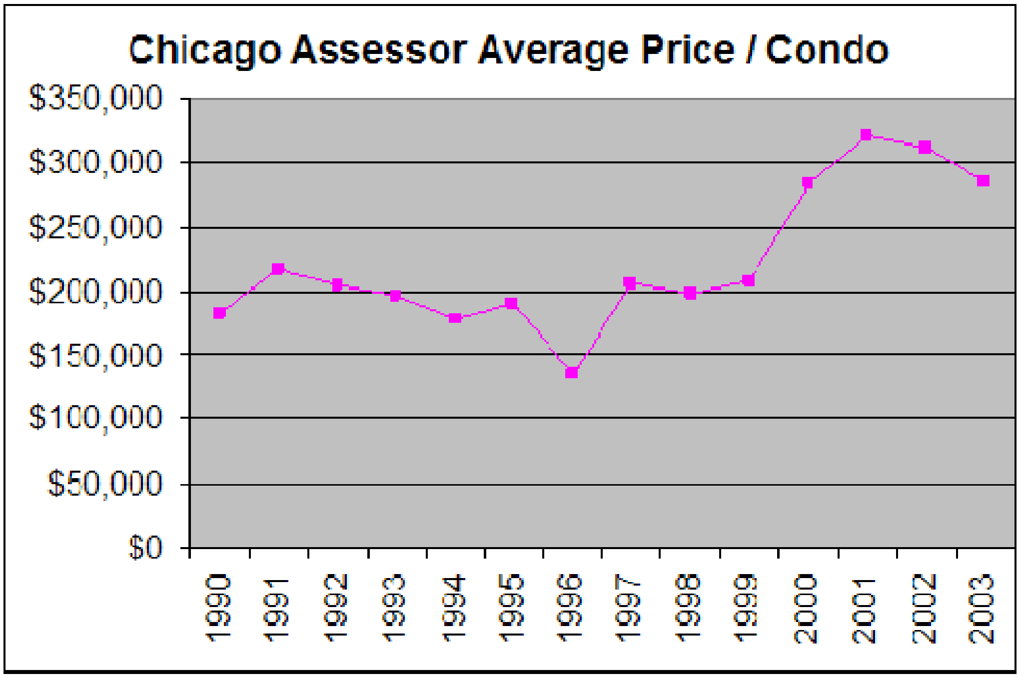
Given the wealth of data available, additional sorts were done to evaluate trends in sales prices by year.

6.2.3 RESULTS

Only 43.5% of the condominiums (just over 11,000 condos) have elected to have the Homeowner Tax Exemption. For the tax bills, 29% are mailed to a different zip code then the situs zip of the subject condominium. Of that 29%, 17.8% are mailed to a city outside of Chicago (6.4% of those being mailed to another state or country), leaving around 11.5% that are mailed to another zip code within Chicago.

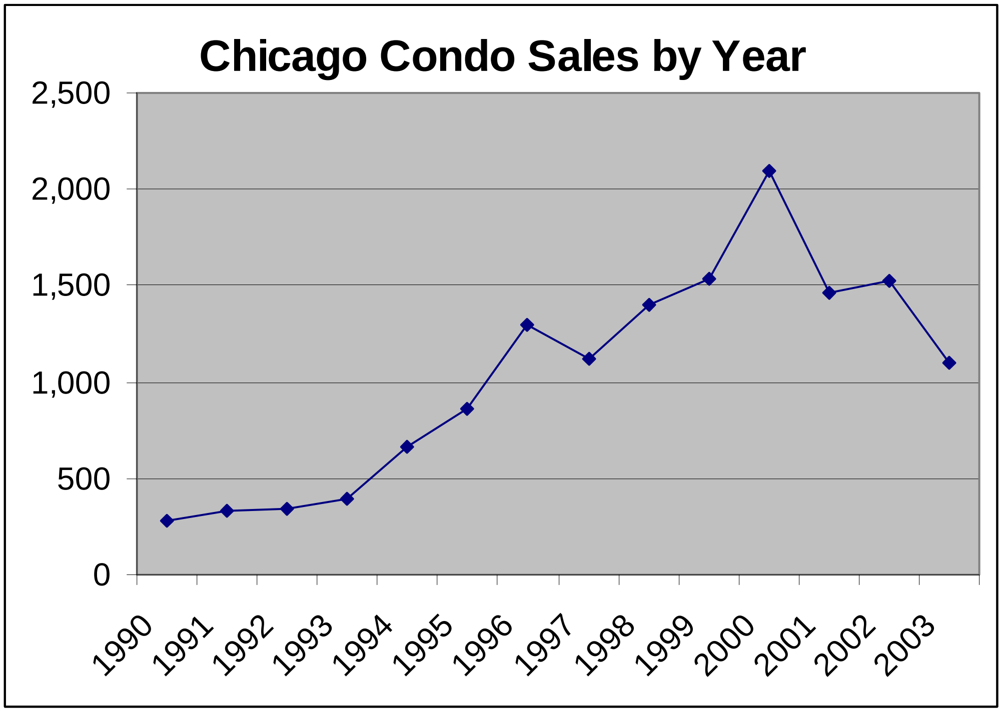
The most recent sale date was available on 14,417 condominiums. The sales dates recorded were from 1990 through 2003.

[25] Cook County Board of Assessors, "2004 Cook County Taxpayer Exemption Booklet," July 2003.



Year	Total Dollar Value	Avg Unit Price	# of Sales	% Growth in Sales
1990	$51,087,273	$182,455	280	
1991	$71,774,882	$216,843	331	15.41%
1992	$70,330,085	$204,448	344	3.78%
1993	$78,498,833	$196,739	399	13.78%
1994	$118,764,311	$178,057	667	40.18%
1995	$165,149,975	$190,704	866	22.98%
1996	$174,579,367	$134,915	1,294	33.08%
1997	$230,277,722	$206,157	1,117	-15.85%
1998	$277,883,998	$198,489	1,400	20.21%
1999	$319,045,933	$207,712	1,536	8.85%
2000	$593,317,807	$283,071	2,096	26.72%
2001	$469,518,436	$320,490	1,465	-43.07%
2002	$472,601,654	$310,514	1,522	3.75%
2003	$312,694,175	$284,267	1,100	-38.36%
(blank)	$0		10,916	
Grand Total	$3,405,524,451		25,333	

According to assessor records, condo sales peaked in 2000 with 2,096 sales recorded for the subject area, with a total value of over $593 million.



6.2.4 Conclusion

The Assessor's Data reveals that:

- 43.5% of the condominium owners elected to have the Homeowner Exemption
- 6.4% of the condo tax bills are mailed to another state outside of Illinois
- 17.8% of the condo tax bills are mailed to another city besides Chicago
- 29.3% are mailed to a different zip code then the situs zip
- Sales levels for the target study area have been increasing since 1990, but peaked in 2000

6.3 Chicago Mortgage Data Results

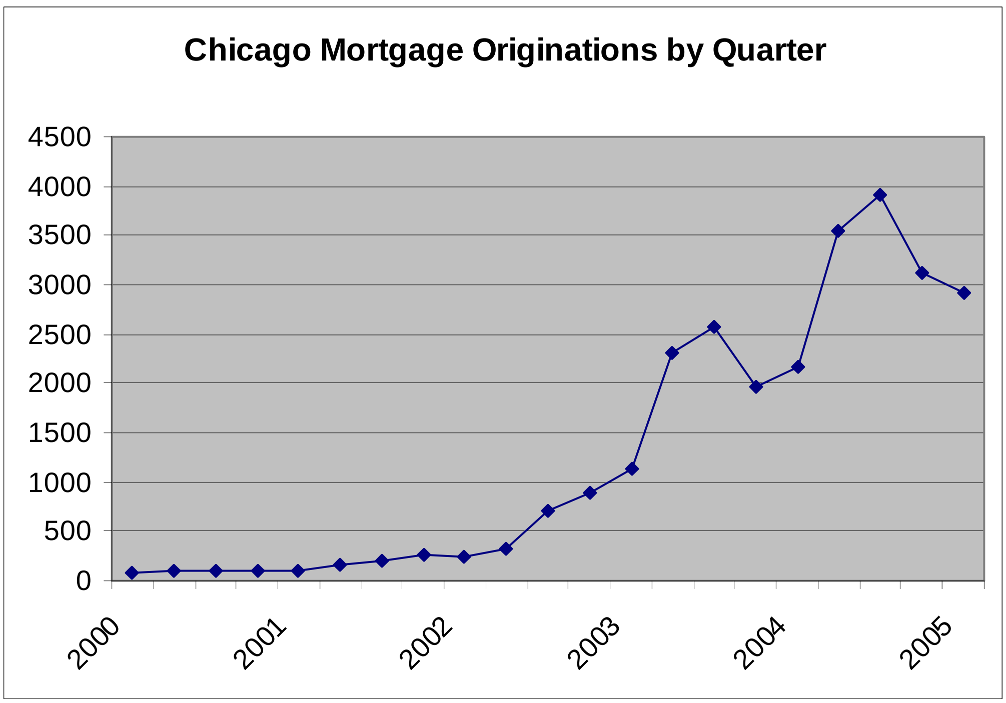
6.3.1 Size of Data Pool

There were a total of 29,288 prime loans originated in Chicago for urban residential condominiums from first quarter 2000 through the second quarter of 2005, by far the most active market of the four cities covered in this study. There was a dramatic increase each year on the number of originations, but the explosive growth in the number of condominium loans seem to have peaked in 2003. The 37% increase in loan originations in 2004 is still impressive, but slightly less dramatic than the 46% - 70% growth in each of the previous three years.

MORTGAGE ORIGINATIONS BY YEAR

	2000	2001	2002	2003	2004
Chicago, IL	386	724	2,150	7,999	12,746
% Increase		**46.69%**	**66.33%**	**73.12%**	**37.24%**

Origination numbers broken down quarterly show more volatility, but still reveal the upward trend.



6.3.2 DIFFERENT USES OF PROPERTIES

The Loan Performance Data also revealed what the borrowers were going to be using their residential condominiums for. "Owner Occupied" means that the borrower will be using the residence, presumably on a full time basis. "Second Home" means that the borrower will be using the property seasonally or part time. "Non-Owner Occupied" indicates that the property was purchased for investment or other non-occupying intentions. "Other" is a catch-all category which could mean any type of use.

COUNT OF ORIGINATIONS IN CHICAGO BY PROPERTY USE

OCCUPANCY DESC	2000	2001	2002	2003	2004	2005*	Grand Total
Non-Owner Occupied	18	33	126	349	756	408	1,690
Other			112	513	444	278	1,347
Owner Occupied	353	667	1,822	6,777	10,971	4,262	24,852
Second Home	15	24	90	360	574	335	1,398
Grand Total	386	724	2,150	7,999	12,746	5,283	29,288

*Quarters 1 and 2 only in 2005

The vast majority of prime loan originations are for Owner Occupied condominiums, but the Non-Owner Occupied and Second Home uses are increasing in Atlanta each year.

A more interesting perspective is each use as a percentage of total originations.

PROPERTY USE AS PERCENTAGE OF TOTAL ORIGINATIONS BY YEAR

OCCUPANCY DESC	2000	2001	2002	2003	2004	2005	Average
Non-Owner Occupied	4.66%	4.56%	5.86%	4.36%	5.93%	7.72%	5.52%
Other	0.00%	0.00%	5.21%	6.41%	3.48%	5.26%	3.39%
Owner Occupied	91.45%	92.13%	84.74%	84.72%	86.07%	80.67%	86.63%
Second Home	3.89%	3.31%	4.19%	4.50%	4.50%	6.34%	4.46%

*Quarters 1 and 2 of 2005 only

The vast majority of loan originations are overwhelmingly for Owner Occupied condominiums, and the number of loans for Owner Occupied condominiums has actually slightly decreased over the years from a high of 92%. The Second Home and Non-Owner Occupied uses are still a significant percentage of the total number of originations, and they are evidencing a slightly increasing proportion of the total number of originations.

6.3.3 CONCLUSION

Overall, the mortgage origination data evidences the explosion in the popularity of urban condominiums in Chicago, which has a huge market. The number of prime originations increased from just 386 loans in 2000 to over 12,746 in 2004. Additionally, the data reveals that the vast majority of urban condominium purchases are for owner-occupied residences. Over the past five years, this has stayed proportionally at around 86% of the total originations, with some considerable fluctuation. The second home and non-owner occupied use of condominiums has been significant and steadily increasing in Chicago.

6.4 DEVELOPER SURVEY RESULTS: CHICAGO

6.4.1. DATA COLLECTION/SAMPLE SIZE

A letter was sent to twenty-five major condominium developers and brokerage/marketing firms currently active in the Chicago market asking for their participation in this research.   Because of the size of the Chicago residential market, the focus was on the core downtown submarkets of **Loop, South Loop, Streeterville, River North and River West,** all of which are directly on Chicago's public transportation system.

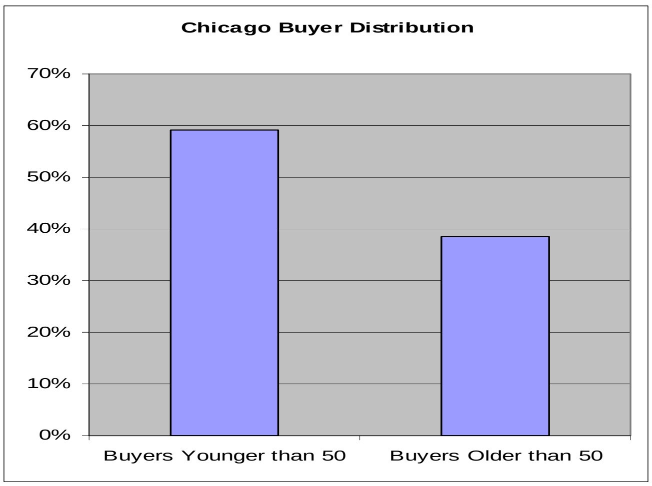
Surveys were returned on twelve condo projects, with a total 5,091 condo units. These projects were delivered or will be delivered in the six year period from 2001 and 2006. 12,992 units of newly constructed condos have been delivered in downtown Chicago from 2000 through the first quarter of 2005 (Appraisal Research Advisors).   The sample represents 22.26% of the 12,992 total in these downtown Chicago submarkets. It also represents 12.35% of a total of 23,415 units of newly constructed condos and townhouses built since 1995 in downtown Chicago.

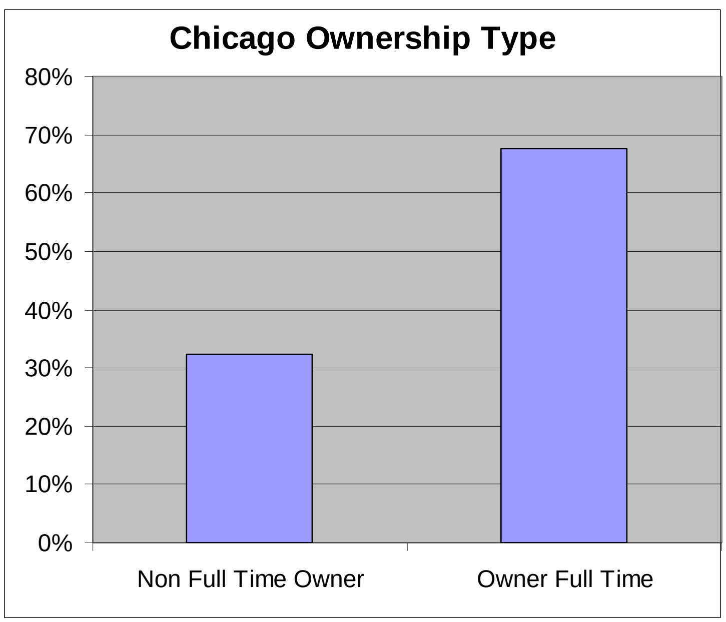
6.4.2 DATA POOLING

In order to protect participants' project level confidential information, the data was pooled for Chicago in order to look at the combined attributes of the projects and the buyers. In some cases, where percentages were provided, the actual counts were computed based on either the total number of units in the project or the number of units sold to date in the project, depending on whether or not the project had sold out. The percentages in the report are calculated by dividing the number of people that answered the question in a particular category by the number of overall responses to that question. A series of graphs and charts demonstrate the results of the survey.

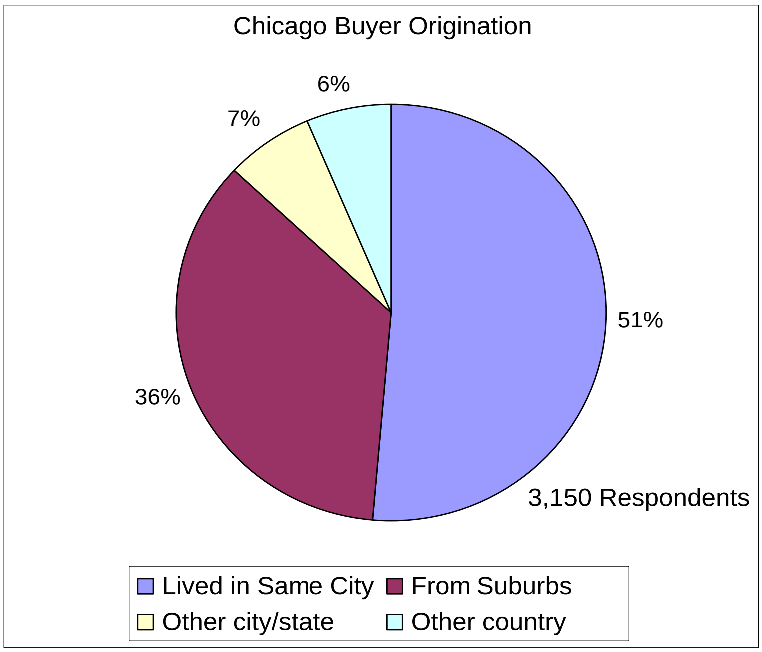
6.4.3 RESULTS

38% of demand came from people over 50 while 32% of buyers were either second home buyers or investors.

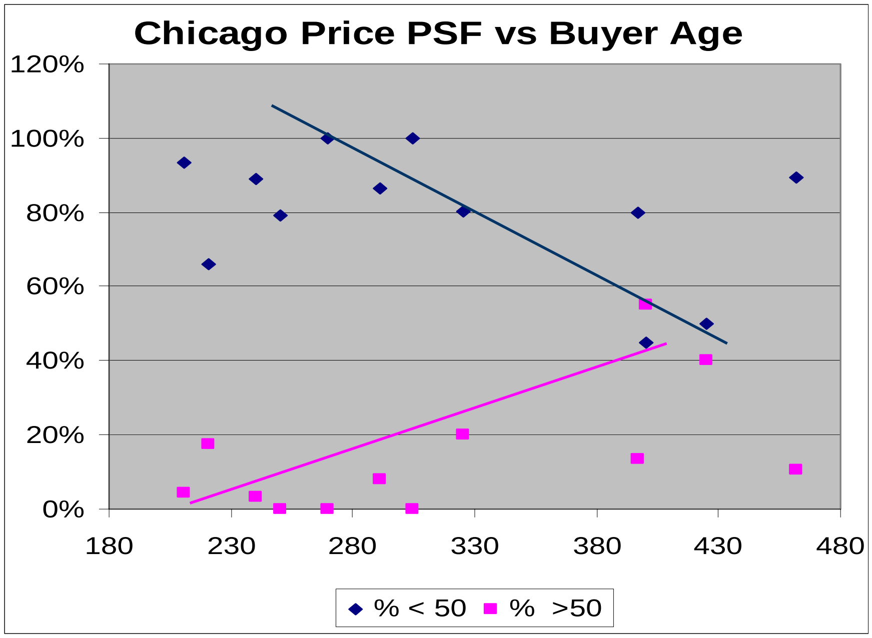




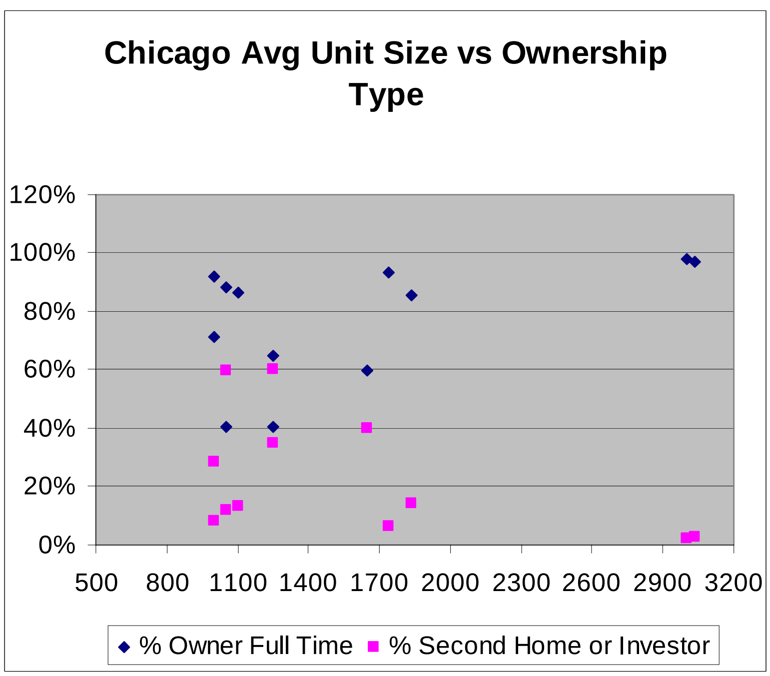
Chicago is a large geographic area consisting of 227 square miles. 36% suburban buyers implies a strong attraction to city living. As with the other cities, the majority of buyers already live in the city. The survey revealed that 13% of the buyers originated in another city, state, or country.

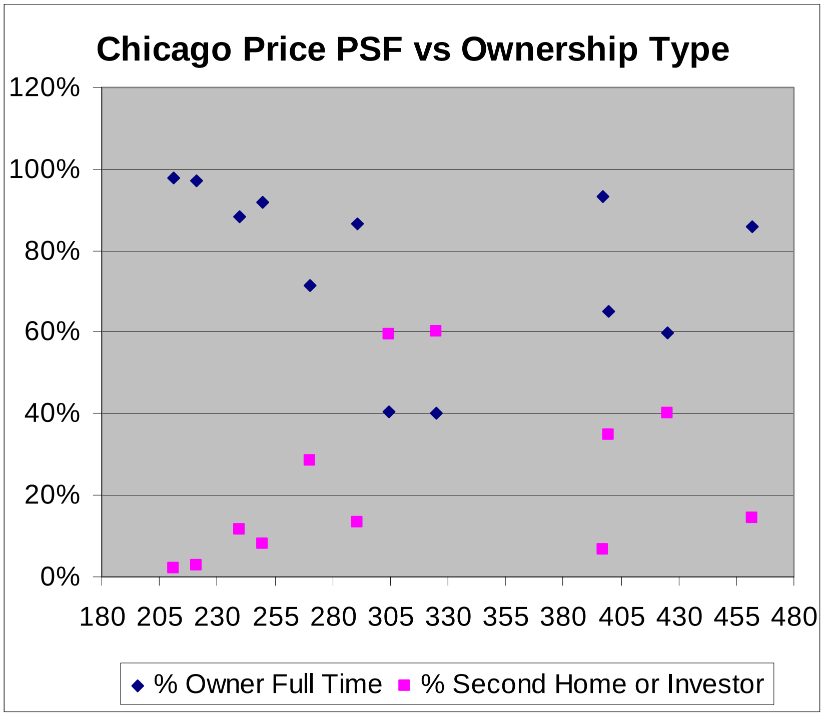


Age is directly related to price per square foot. The surveys revealed an expected trend where younger buyers gravitate toward lower priced units.



No apparent relationship exists between unit size or price per square foot and age cohort.





6.4.4 Conclusion

13% of demand comes from outside Chicago and its suburbs indicating its appeal as a major urban center, the third largest city in the U.S. 32% of demand comes from second home buyers and investors.

6.5 Comparison of Results

Assessor Data:

43**% made homeowner exemption election**
71% had tax bill sent to their condo
29% had tax bill sent to a different address broken down as follows:
11.5% had the tax bill sent to another zip code in Chicago
17.8% had the tax bill sent to a city outside of Chicago
6.4% had the tax bill sent to another state or country

Mortgage Data: CY 2004 (new originations)

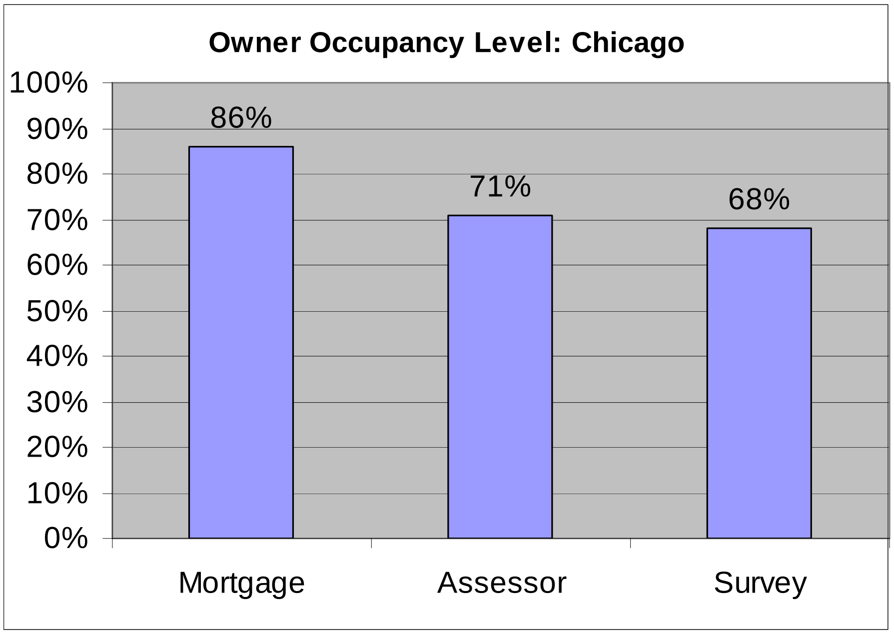
86.07% owner occupied
13.91% non owner occupied
4.50% Second home
5.93% Non owner occupied

3.48% Other

There have been 22,288 loan originations since 1st Quarter, 2000

Survey Data:

68% Owner occupied
32% Second home/investment
38% Age 50 and over
59% under age 50

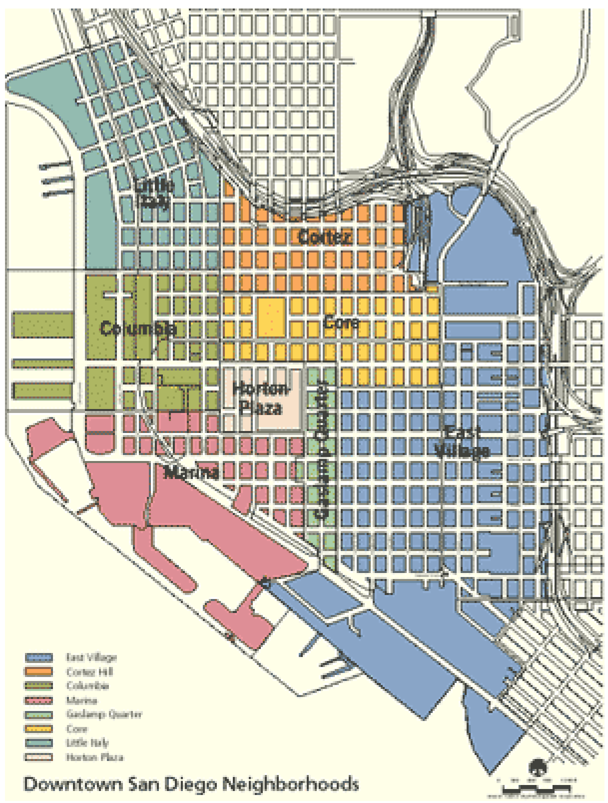


For the same reasons cited in Atlanta and Boston, the assessor data seems the most plausible measure of full time ownership at **71%**.

7. San Diego Condominium Market Research Results

7.1 Downtown Residential Market Snapshot

The revitalization of downtown San Diego goes back to the leadership of then Governor Pete Wilson in 1975 and continues today. The Center City Development Corporation (CCDC) has planned and managed this impressive transformation. CCDC breaks down the central city San Diego market into eight distinct neighborhoods: Columbia, Core, Marina, Cortez Hill, Little Italy, Horton Plaza, Gaslamp Quarter and East Village, each with its own character and flavor. All are served by the San Diego Trolley.



Downtown San Diego Neighborhoods

The vacancy rate in multi-family rentals is projected to be 3.8% by year end 2005:

MULTI FAMILY RENTAL MARKET[26]

Year	Inventory	Annual Net absorption	Annual Apt net completions	Apartment Vacancy Rate
12/31/99	248,503	4,534	2,895	2.8%
12/31/00	253,527	6,152	5,025	2.3%
12/31/01	258,724	161	5,179	4.2%
12/31/02	262,264	2,685	3,900	4.6%
12/31/03	265,774	2,740	3,150	4.7%
12/31/04	268,970	2,800	3,196	4.8%
12/31/05 (proj.)	268,696	2,299	-274	3.8%
12/31/06(proj.)	269,517	1,459	821	3.6%

Condominiums Market:

Construction in these eight neighborhoods is accelerating as outlined below:[27]

CONDO COMPLETIONS AND PIPELINE DATA

Year	# of units
2001	439
2002	551
2003	948
2004	1931
2005 to date	225
Projects under construction	3797
Projects approved; pending construction	2501
Projects submitted; pending approval	2243

The East Village submarket (where Petco Park was built) accounts for 40% of this development activity. Marketpointe Realty Advisors, a San Diego consulting and research firm, notes the following facts/trends in Southern San Diego County market of which downtown San Diego is the largest part:

Detached homes: average price decreased in 1st Q 2005 by 5% to $656,396 ($268/sf).

Attached homes: average price increased in 1st Q 2005 by 17% to $443,371 ($400/sf).

[26] Property and Portfolio Research, Inc.'s 1st Quarter PPR Fundamentals.
[27] Center City Development Corporation, San Diego, CA (www.ccdc.com)

Pipeline: In San Diego County as a whole, there are 394 separate attached condo projects with a staggering total of 38,985 units that range from having submitted a specific plan to being under construction.[28]

Demand Analysis: Due to the soaring cost of single family houses in San Diego County and the net population growth, there is strong demand for condominium housing. Apartment conversions to condominiums accounted for over 50% of the sales activity in both the fourth quarter of 2004 and the first quarter of 2005 and represent the most affordable for-sale housing in the market. Housing absorption for all of San Diego County is tabulated below:[29]

It is noteworthy that detached home sale volume exceeded detached home sales volume beginning in the 1st Quarter of 2004 and has maintained roughly twice the volume since.

	Attached Units	Detached Units	Total Units
1st Quarter, 2003	1,179	1,881	3,060
2nd Quarter, 2003	1,272	2,166	3,438
3rd Quarter, 2003	1,655	1,845	3,500
4th Quarter, 2003	1,565	1,679	3,244
1st Quarter, 2004	2,120	2,070	4,190
2nd Quarter, 2004	2,784	1,643	4,427
3rd Quarter, 2004	2,887	1,461	4,348
4th Quarter, 2004	1,883	710	2,593
1st Quarter, 2005	2,555	1,443	3,998

Supply Analysis: The Ryness Company provides a forward looking snapshot of active and future projects as of June, 2005 broken down by neighborhood which shows clearly that East Village and Columbia neighborhoods will host the most future development:

[28] Marketpointe Realty Advisors, Residential Trends, San Diego County, 1st Quarter 2005, page 11.
[29] Marketpointe Realty Advisors, Residential Trends, San Diego County, 1st Quarter 2005, page 3.

ABSORPTION BY NEIGHBORHOOD[30]

Neighborhood	**Future Projects**	**Future Units**	**Active Projects**	**Available Units**
Bankers Hill	2	138	2	111
Columbia	7	**1,219**	2	5
Core	3	683	3	540
Cortez Hill	2	156	4	277
East Village	20	**4,898**	11	297
Gaslamp Quarter	0	0	2	50
Little Italy	6	583	6	141
Marina District	1	42	2	112

Marketpointe Realty Advisors published the following averages by neighborhood for 1st quarter, 2005.

Submarket	**Price**	**Size**	**Price/SF**
East Village	$439,421	919 sf	$477.90
Gaslamp Quarter	$488,729	836 sf	$584.74
Columbia	$788,054	1371 sf	$575
Cortez Hill	$543,325	911 sf	$596.64
Little Italy	$364,450	799 sf	$455.96
Marina	$452,353	836 sf	$540.83

Risks and Concerns: An underlying concern of Marketpointe Realty Advisors is that a significant portion of the demand is speculative and that a correction will follow. However, as Marketpointe observes, "the attached housing market remains an attractive economic alternative with an average price that is nearly $375,000 less than the high priced detached (single family) sector." According to Lori Asaro of Ryness Company, activity reached a peak in mid 2004 and began cooling off in October, 2004.

The Real Estate Report tracks the following sales in zip code 92101, ground zero in downtown San Diego.

. DOWNTOWN SAN DIEGO SALES VOLUME

Year	Average	Median	Sold	DOM	SP/LP	Average	Median	Sold
1998	$423,688	$365,000	125	95	96.3%			

[30] Marketpointe Realty Advisors, Residential Trends, San Diego County, First Quarter, 2005.

1999	$351,985	$279,000	145	48	95.5%	-16.9%	-26%	16%
2000	$521,274	$360,000	155	50	94.9%	48.1%	33.3%	6.9%
2001	$448,381	$361,250	208	61	95.4%	-14%	0.3%	34.2%
2002	$490,816	$425,000	311	86	96.4%	9.5%	17.6%	49.5%
2003	$553,875	$490,000	595	70	96.4%	12.8%	15.3%	91.3%
2004	$706,756	$620,000	581	43	96.1%	27.6%	26.5%	-2.4%
Month of June	592,084	$515,000	49	54	97.7%	-20%	-32.9%	4.3%

(DOM is the number of days on the market and SP/LP compares selling price with listing price)

7.2 San Diego Assessor Data Result

7.2.1 Data Available

The San Diego Assessor's office in California assembled a file listing all condominium sales in San Diego from January 1, 2004 through May 19, 2005. In total, 20,350 condominiums were sold in that time frame. In addition to the Property Identification Number, the assessor included the Sale Date, Owner name, Unit address, Mailing Address for the tax bill, and the Sale Amount.

7.2.2 Methodology

The assessor's office provided somewhat limited data, so only a few different tests were run on the information. The number of condos that elected to have the Homeowner Exemption was counted. In San Diego County, a property owner can elect to have the Homeowner Exemption if they are a legal resident of San Diego County and they occupied the selected residence as of January 1, 2005 as their permanent residence and homestead[31]. The Homeowner Exemption provides for a reduction of $7,000 off the assessed value of the residence, which results in an annual tax savings of approximately $70. This is not considered to be a significant tax break.

[31] San Diego County Board of Assessors, "Homeowner's Property Tax Exemption" Brochure, September 2003.

The mailing address of the tax bill was analyzed in three ways: first a count was done of the mailing addresses that were outside of California (to another state or country), then a count was done of mailing cities that were outside of San Diego (but in California), and finally, a detailed count of mailing addresses that were to a different street than the subject condo address.

Additional sorts were done to evaluate sales volume in 2004, and how that compared to 2005 levels.

7.2.3 RESULTS

In total, only 7,711 condo owners elected to have the homeowner exemption for the 2005 tax year, which is almost 38% of the total number of condo sales provided. For 2004 sales only, there were 7,665 condos that elected to have the homeowner exemption, which is 50% of the total sales for that year and a better overall indicator. The lower number for 2005 is because in order to qualify for the tax reduction, the owner had to have occupied the house as of January 2005.

For the tax bills, a total of 3,585 or 17.6% are mailed to locations outside of San Diego, of which 827 are mailed to a different state or country and 2,758 are mailed to another city within California. Comparatively, 30.6% of the tax bills (6,239) are mailed to a different street address than the condo itself. This indicates that 3,481 tax bills (17.1% of the total) are mailed to another address in San Diego.

The assessor's data revealed that in 2004, there were a total of 15,319 condominium sales in San Diego, with a total dollar value of $6.28 billion. The average condo sale price is $409,800 for 2004. In 2005 (through May 19, 2005), there were 5,031 sales, compared to 4,769 sales at the same point of time in 2004. While the volume of sales are up, the dollar value is down, as the average sale price for 2005 is $248,000, compared to an average price of $385,000 at the same time in 2004.

7.2.4 CONCLUSION

69.4% of tax bills are mailed to the situs address.

7.3 Mortgage Data Results

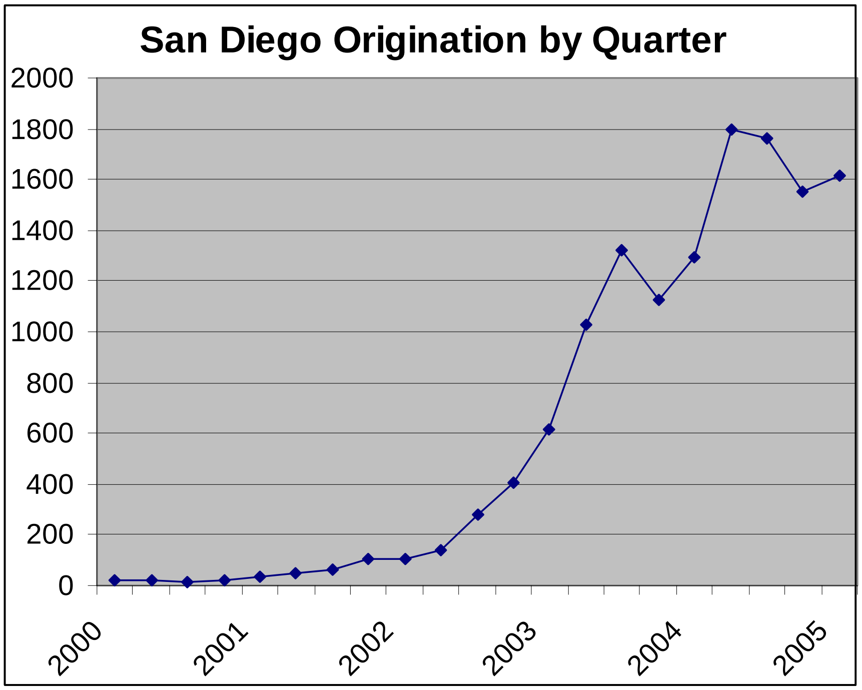
7.3.1 Size of Data Pool

There were a total of 14,697 prime loans originated in San Diego for urban residential condominiums from first quarter 2000 through the second quarter of 2005. There was a dramatic increase each year on the number of originations, but the explosive growth in the number of condominium loans seem to have peaked in 2003. The 37% increase in loan originations in 2004 is still impressive, but slightly less dramatic than the 67% - 77% growth in each of the previous 3 years.

Mortgage Originations by Year

	2000	2001	2002	2003	2004
San Diego, CA	79	246	930	4,084	6,406
% Increase		**67.89%**	**73.55%**	**77.23%**	**36.25%**

Origination numbers broken down quarterly show more volatility, but still reveal the upward trend.



7.3.2 DIFFERENT USES OF PROPERTIES

The Loan Performance Data also revealed what the borrowers were going to be using their residential condominiums for. "Owner Occupied" means that the borrower will be using the residence, presumably on a full time basis. "Second Home" means that the borrower will be using the property seasonally or part time. "Non-Owner Occupied" indicates that the property was purchased for investment or other non-occupying intentions. "Other" is a catch-all category which could mean any type of use.

COUNT OF ORIGINATIONS IN SAN DIEGO BY PROPERTY USE

OCCUPANCY DESC	2000	2001	2002	2003	2004	2005*	Grand Total
Non-Owner Occupied	15	36	126	352	700	449	1,678
Other		2	62	179	76	32	351
Owner Occupied	55	188	640	3,221	5,127	2,216	11,447
Second Home	9	19	102	332	500	255	1,217
Grand Total	79	246	930	4,084	6,406	2,952	14,697

*Quarters 1 and 2 only in 2005

The vast majority of prime loan originations are for Owner Occupied condominiums, but the Non-Owner Occupied and Second Home uses are increasing in Atlanta each year.

A more interesting perspective is each use as a percentage of total originations.

PROPERTY USE AS PERCENTAGE OF TOTAL ORIGINATIONS BY YEAR

OCCUPANCY DESC	2000	2001	2002	2003	2004	2005*	Grand Total
Non-Owner Occupied	18.99%	14.63%	13.55%	8.62%	10.93%	15.21%	13.65%
Other	0.00%	0.81%	6.67%	4.38%	1.19%	1.08%	2.36%
Owner Occupied	69.62%	76.42%	68.82%	78.87%	80.03%	75.07%	74.81%
Second Home	11.39%	7.72%	10.97%	8.13%	7.81%	8.64%	9.11%

*Quarters 1 and 2 of 2005 only

The vast majority of loan originations are overwhelmingly for Owner Occupied condominiums; however this is the lowest percentage for the four cities covered in this study. The number of loans for Owner Occupied condominiums has actually slightly increased over the years from 69% to a high of 80%. The Non-Owner Occupied usage is highest in San Diego, with an overall average of 13.65%, but with fluctuating proportions each year. The Second Home use also holds a somewhat volatile though consistent proportion of the prime loan originations, with an average of 9% each year.

7.3.3 CONCLUSION

Overall, the mortgage origination data evidences the explosion in the popularity of urban condominiums in San Diego, which has grown dramatically in the last five years. The number of prime originations increased from just 79 loans in 2000 to over 6,000 in 2004. Additionally, the data reveals that the vast majority of urban condominium purchases are for owner-occupied residences. Over the past five years, this has averaged at around 75% of the total originations, with some considerable fluctuation. The second home and non-owner occupied use of condominiums has been significant and steadily increasing in San Diego.

7.4 DEVELOPER SURVEY RESULTS: SAN DIEGO

7.4.1 DATA COLLECTION/SAMPLE SIZE

A letter was sent to approximately twenty-five major condominium developers and brokerage/marketing firms currently active in the San Diego market asking for their participation in our project. We restricted ourselves to the downtown submarkets of **Marina, Cortez Hill, Little Italy, Core, Columbia, East Village, Gaslight and Horton Plaza**, which are best served by public transportation in San Diego.

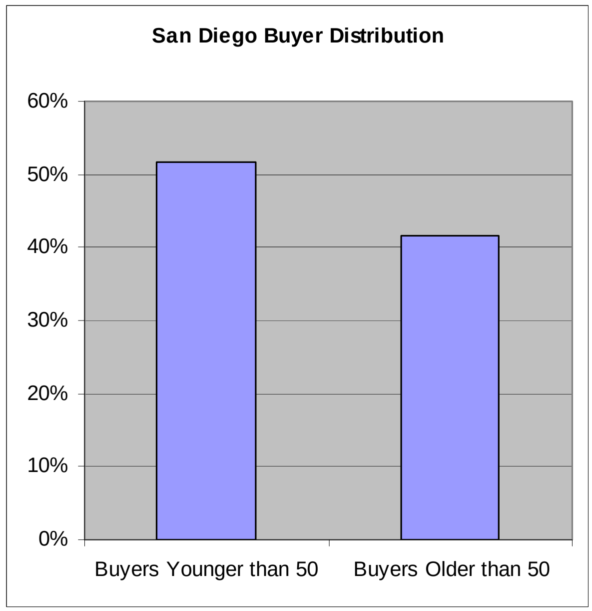
Responses were returned from fourteen condo projects with a total 2976 condo units (an average of 199 units per project). These projects will be delivered in the five year period from 2003 and 2007. According to the San Diego Center City Development Corporation (CCDC), 8116 units will be delivered in the downtown markets during the period from 2001 through 2007 (including 3797 currently under construction). Thus, the sample of 2,967 units represents 36.56% of the 8116 total in these eight downtown submarkets. It also represents 27.95% of a total of 10,617 units of newly constructed condos, those under construction and those approved, but not yet under construction for the same period.

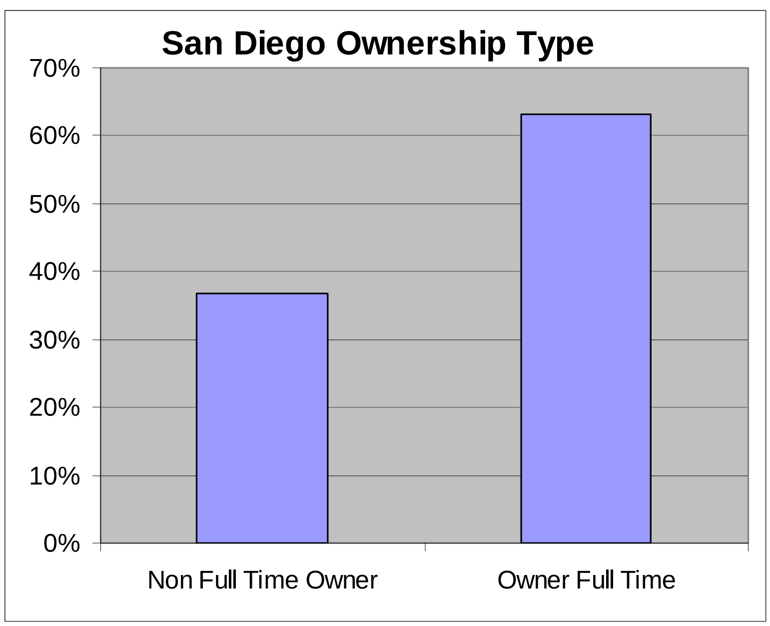
7.4.2 DATA POOLING

In order to protect participants' project level confidential information, the data was pooled for San Diego in order to look at the combined attributes of the projects and the buyers. In some cases, where percentages were provided, actual counts were computed based either on the total number of units in the project or the number of units sold to date in the project, depending on whether or not the project had sold out. The percentages in the report are calculated by dividing the number of people that answered the question in a particular category by the number of overall responses to that question. A series of graphs and charts demonstrate the results of the survey.

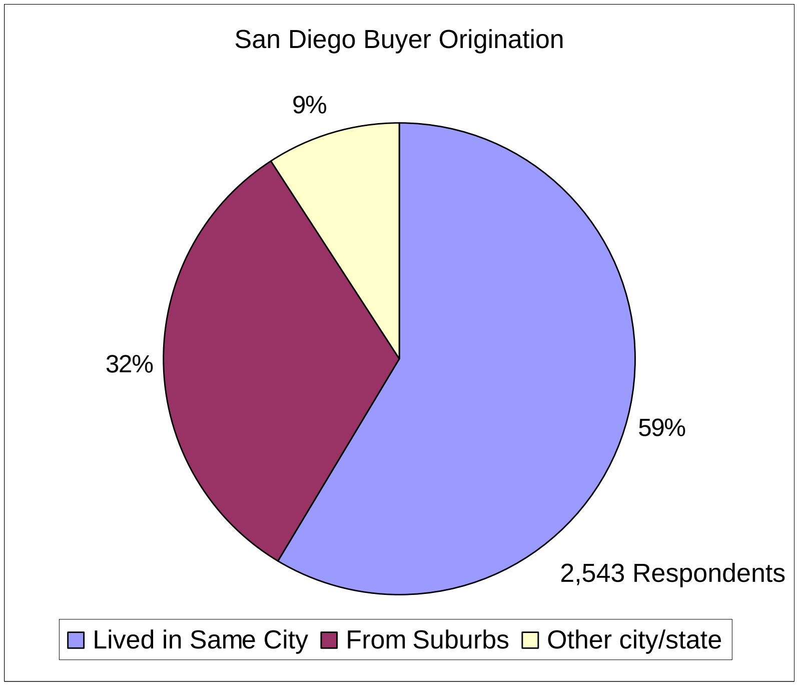
7.4.3 RESULTS

Buyers is San Diego are slightly tilted toward the under 50 age demographic, but there is balance.

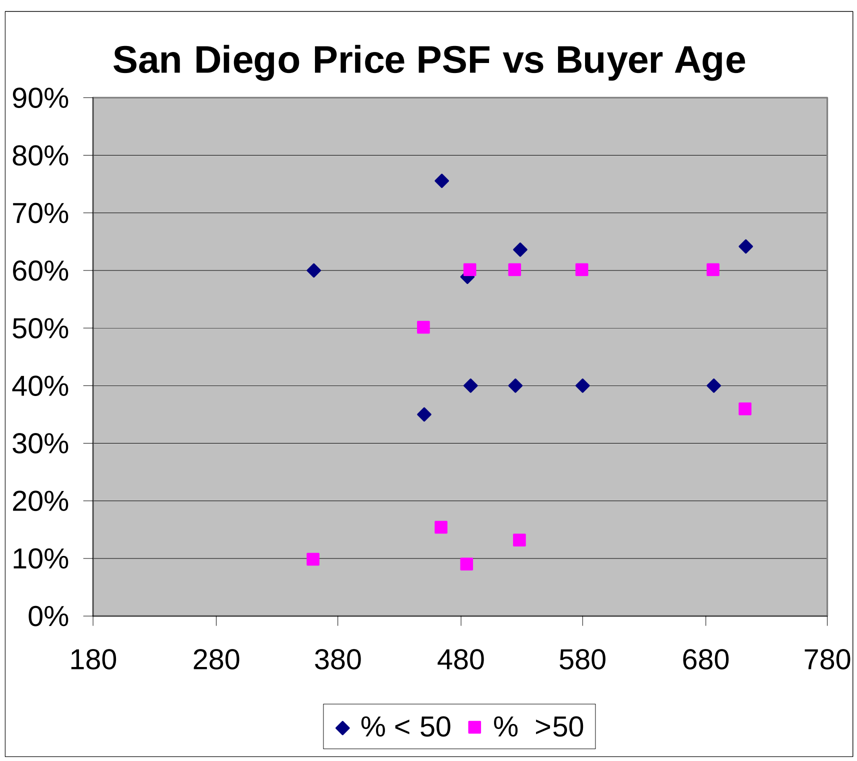




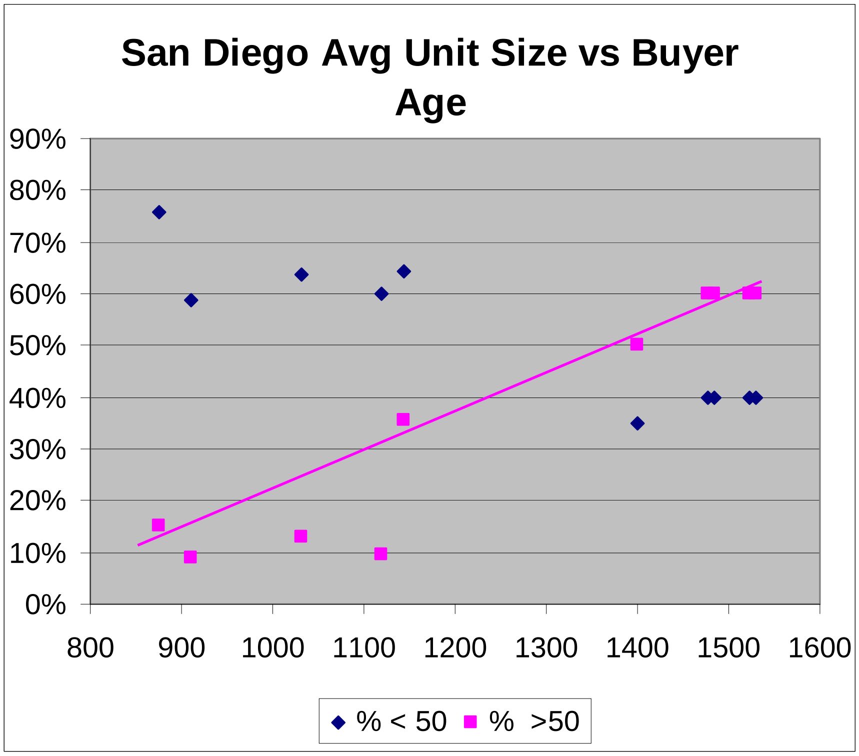
City of San Diego consists of 324 square miles; consequently it is not surprising that a large component of demand is from the city.



Age has a greater influence on unit size than on price per square foot.



As expected, there is a correlation between the age of the buyer and the size of the unit preferred. In this case, there is a higher concentration of buyers over 50 years old in buildings with larger average unit sizes.



7.4.4 CONCLUSION

San Diego's expensive market for single homes funnels demand into the condo sector. At the same time, 37% of buyers are buying second homes or buying as investors.

7.5 COMPARISON OF RESULTS

Assessor Data:

50% made homeowner exemption election

69.6% had tax bill sent to their condo

30.4% had tax bill sent to a different address broken down as follows:

17.6% had bill sent outside of San Diego

12.8% had bill sent to another street address in San Diego

Mortgage Data: CY 2004 (new originations)

80.03% owner occupied

19.93% non owner occupied

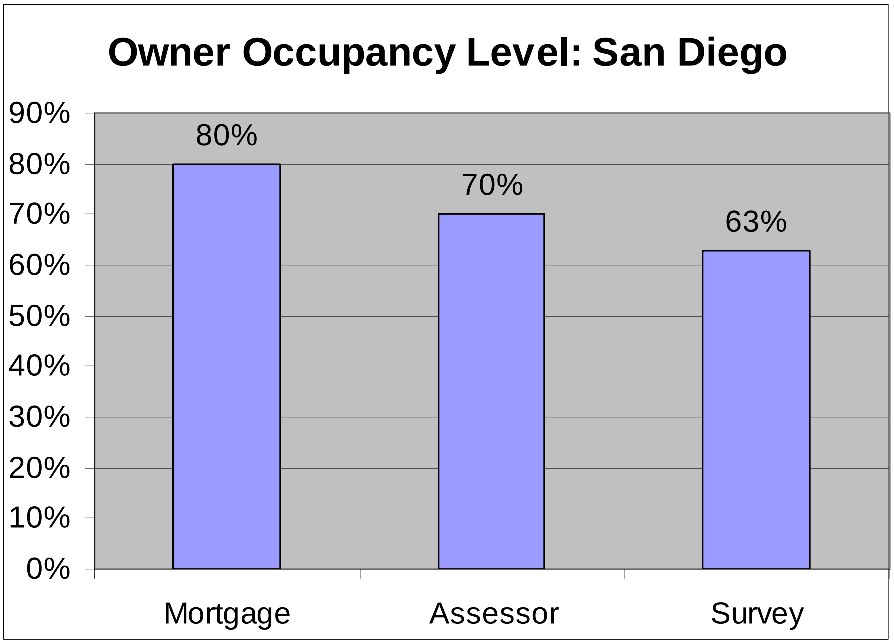
7.81% second home

10.93% Non owner occupied
1.19 % Other

There have been 14,697 loan originations since 1st Quarter, 2000.

Survey Data:

63% Owner occupied
37% Second home/investment
41% Age 50 and over
52% Under age 50
(7% bought under separate legal entity, ergo no age data)



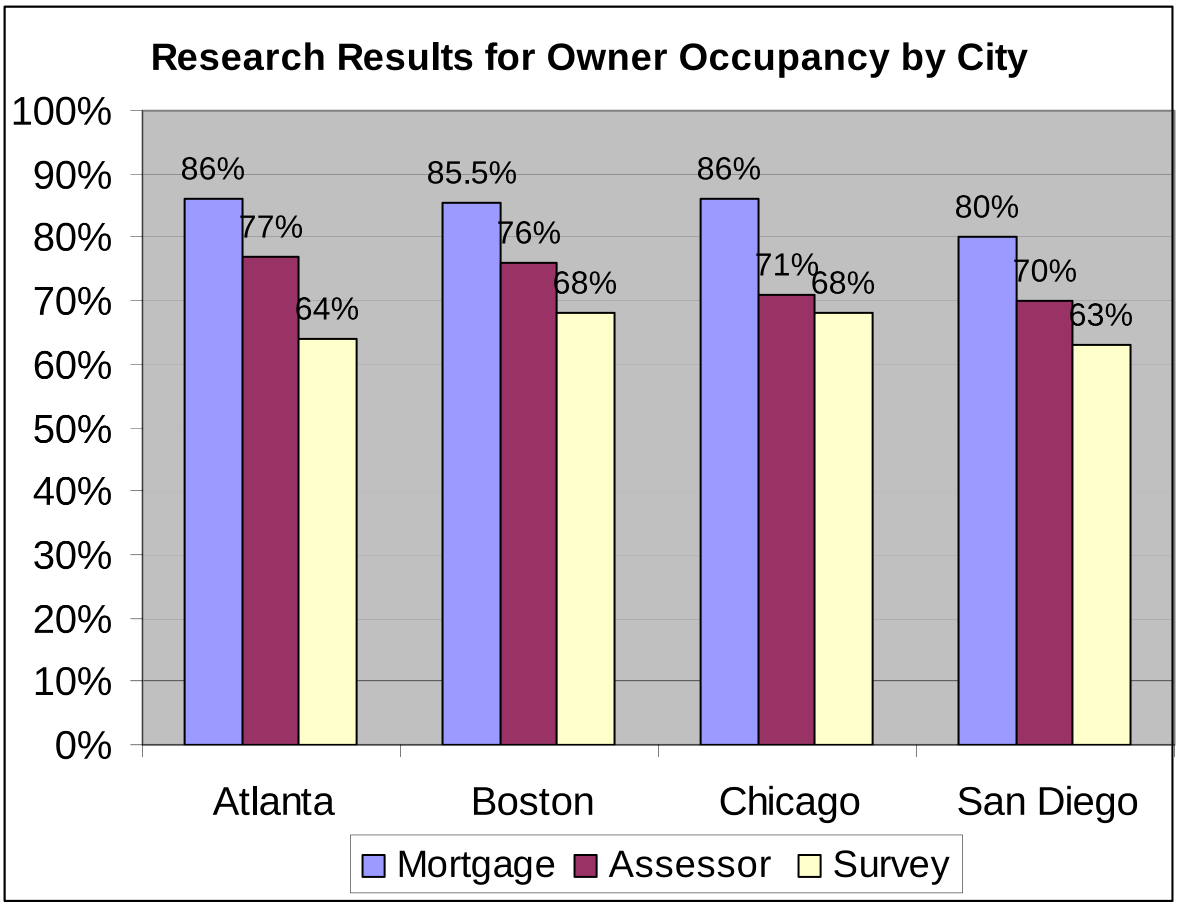
As with the other three cities, assessor data seems to be the most plausible measure of full time owner occupancy at 70% in San Diego. This is the lowest percentage of the four cities.

8. CONCLUSION

8.1 OWNER TENURE

8.1.1 OWNER OCCUPANTS

The three different research methodologies yielded the following results for owner occupancy across the four cities.



The results were surprisingly consistent across the four cities, with the Mortgage research yielding the highest estimate of Owner Occupancy in the 80% range. Assessor data is consistently in the middle 70% range, and the survey data of new condo construction in the 60% range. As discussed in the conclusions for the individual cities, the Survey results likely show the lowest level of Owner Occupancy as investors are more attracted to the new projects which can have a faster appreciation return for early movers. Even though the Mortgage data also captures the new construction condo sales (in addition to refinance figures), it suggests a significantly higher Owner Occupancy level than the survey results. This is likely because investors and second home buyers are more able to have access to alternative sources of equity such as 1031 money, saved capital for investment, or equity from another property or primary residence (which would be at a better rate), as opposed to a primary home buyer who would not have another property to refinance. The Assessor data in the 70% range is likely the most accurate picture of owner occupancy, as the data is the most comprehensive and current.

The consistency across the four cities suggests that this is a national trend of Owner Occupancy levels in the 70% range, which is much lower than national census figures.

8.1.2 SECOND HOME OWNERS

The survey results indicate that the second home buyer represents 17% of overall demand. When the investor segment that had no intention to rent out their unit (5%) is added in, a staggering total of 22% of buyers are not occupying units. This contrasts sharply with the 2000 US Census estimate of 3.1% for seasonal, recreational and second homes.

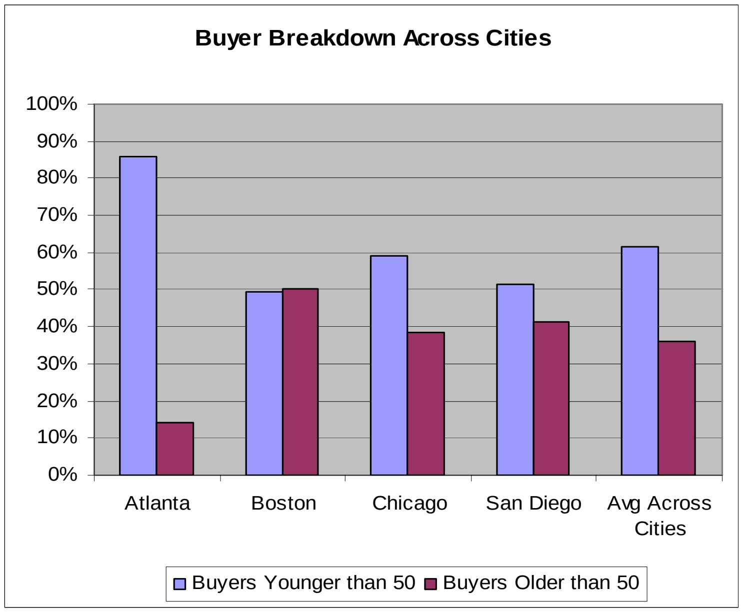
8.1.3 INVESTORS

The survey results indicate that 12% of the additional demand comes from investors who intend to rent out their unit. As just discussed, another 5% of investors have no intention of renting, preferring occasional use or a quick sale at a profit. The 17% total pool of investors indicates that urban condos are a favored investment class for many and that investors are betting that the urban lifestyle is a permanent phenomenon. One wonders how investors will react to inevitable changes in the real estate cycle.

8.2 Demographic Profile

8.2.1 Age

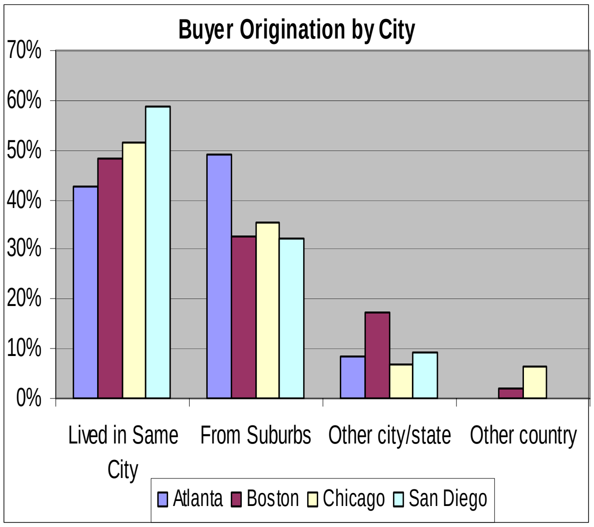
Based on the survey results, the condominium buyer's age profile is somewhat consistent with expectations. Boston, considered to be an older city (as far as residents are concerned, average age of 33.4[32]) has the highest percentage of older buyers. Atlanta, considered to be a magnet for younger people, has the highest proportion of younger buyers.

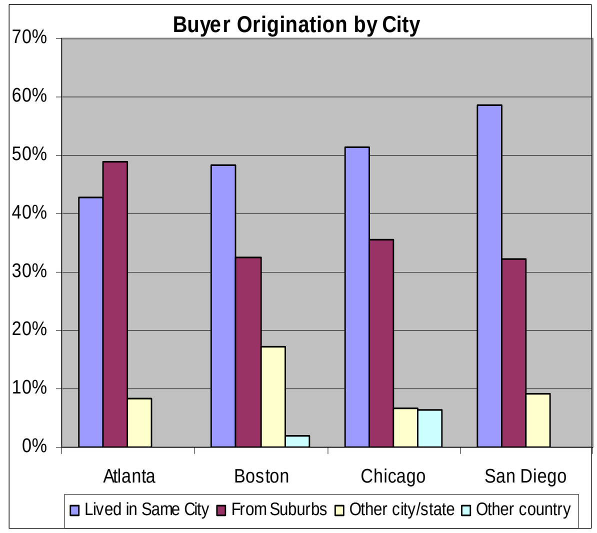


8.2.2 Origination

The survey research reveals that percentage of buyers coming from within the cities increases significantly with a city's physical size. Another perspective on the same data shows that only Atlanta has the highest number of buyers originating from the suburbs as opposed to the city itself. Boston has the strongest influx of buyers from other cities/states. Across the four cities, 87% of buyers came from within the city or from the suburbs.

[32] US Census, 2003 City Population Estimates

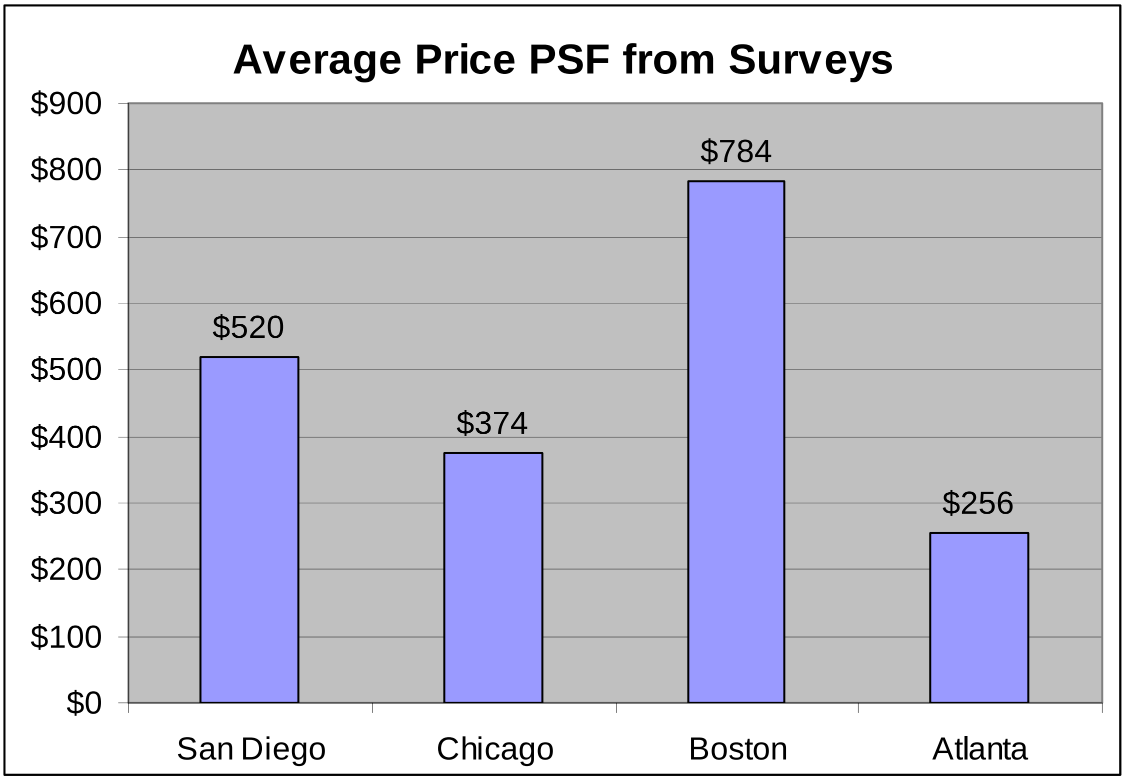




This data again shows a pattern that the majority of buyers are originating from the subject city. This helps explain why there has not been the proportionate jump in population levels with the dramatic increase in new housing stock.

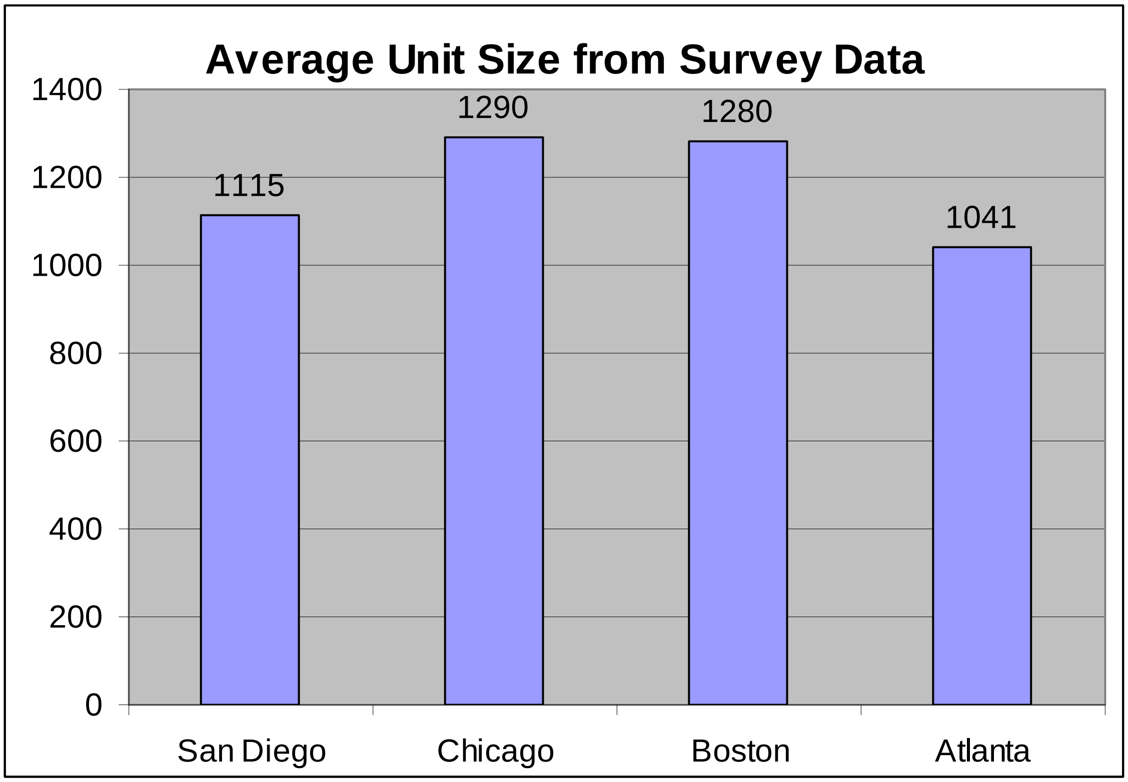
8.3 Sales Figures

The survey data also captured the average selling price per square foot for the new projects. A weighted average was calculated based on the average sale price in each building and the number of units in the project. Boston overwhelmingly has the highest price PSF, followed by San Diego, then Chicago, and finally Atlanta.



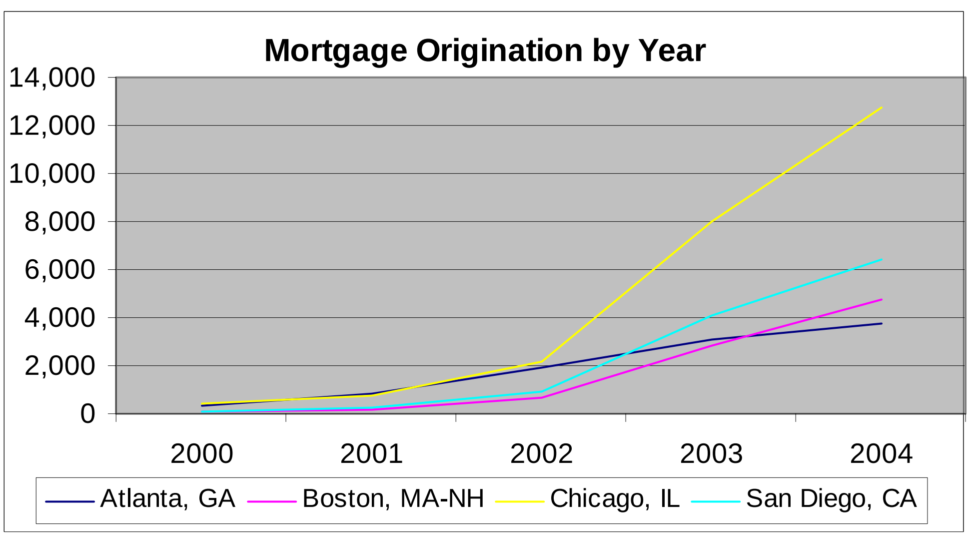
The assessor data from Atlanta indicated that the average sale price per square foot of a condo in 2005 was around $200 per square foot. The fact that this number is less than the survey results is logical, as the survey data is only on new projects, whereas the assessor data includes sale figures of older existing housing stock. Chicago assessor data revealed an average sale price per unit of $310,000 in 2002 and $284,000 in 2003. San Diego assessor data revealed an average 2004 condo sale price of around $410,000. Per square foot prices could not be calculated in either city.

Another interesting comparison is the size of the new units being built. All four cities are averaging over 1,000 square feet per unit. Chicago and Boston are approximately the same at close to 1,300 square feet. San Diego and Atlanta are slightly smaller.

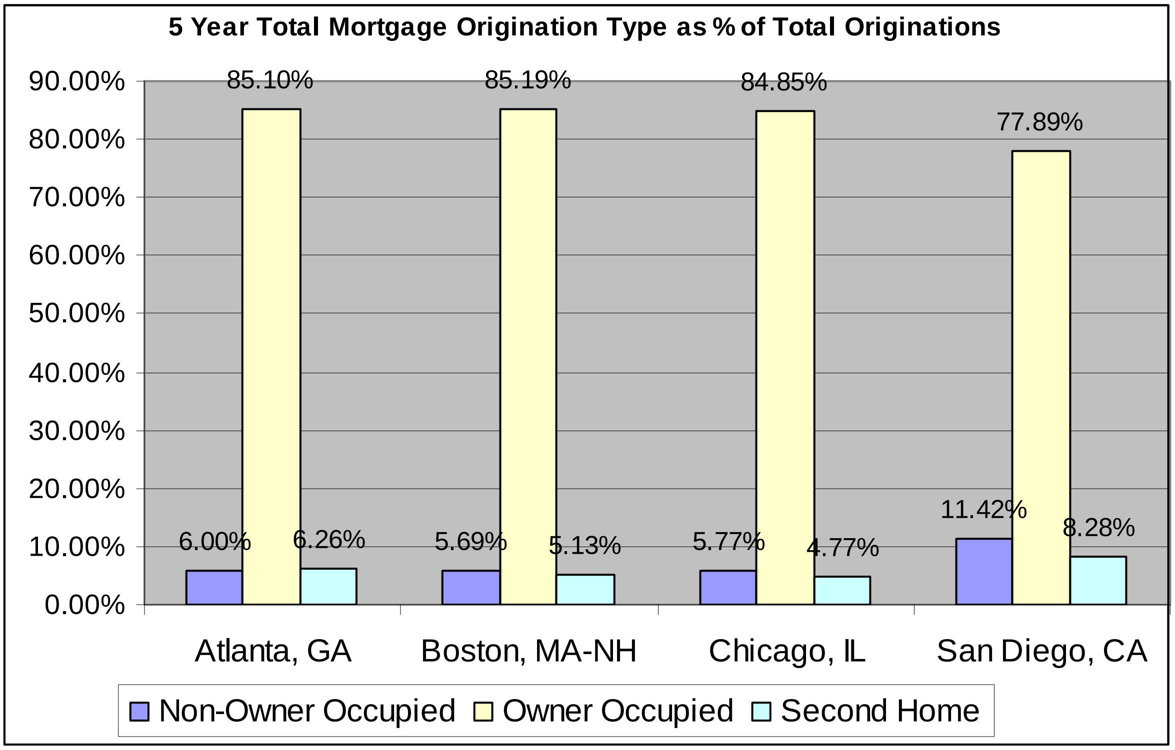


8.4 MORTGAGE DATA COMPARISON

Across the four cities, there was a dramatic increase in the number of prime loan originations from 2002 to 2003.



Another pattern with the loan origination data is that three of the four cities had almost the exact same ratio of 85% of the total loans originated over the five year period go to borrowers that claimed they were going to occupy the subject condominium. Only San Diego bucked the national trend with a lower level of around 78%. This is further compelling evidence of a national trend of consistency with owner occupancy levels over individual city patterns.



8.5 CONCLUSION

The authors are not aware of any similar analysis of the urban condominium phenomenon across multiple markets. This may be due to a reluctance of developers to share proprietary data in a very competitive industry, the fact that each market is unique, the fast pace of residential development with limited time for analysis, and/or the fact that the urban condo is a relatively recent phenomenon in many cities. The methodology utilized in this research combines analysis of assessor records, loan data and pools developer survey information on buyers in recent projects. The research proves that there are national trends in the urban condominium market that are surprisingly consistent across a broad geographic area. It confirms who are buying urban condominiums and its results from these three separate sources raise a red flag about the high percentage of units that are not occupied full-time.

For further insight into the market, the reader is invited to read selected developer comments in Exhibit F. These are the impressions on the market activity from the professionals who are in the trenches in real time interacting with the buyers.

EXHIBIT A

DRAFT OF LETTER SENT TO DEVELOPERS AND BROKERS

June 10, 2005

Mr. Donald Smith
President
Development Consultants
60 Temple Place
Boston, MA 02111

Dear Mr. Smith:

We invite you to participate in an important research project we are undertaking to fulfill our masters degrees at the Center for Real Estate at Massachusetts Institute of Technology (web.mit.edu/cre). The focus of our study is to pool and analyze recent historical data about who is buying downtown lofts and condominiums in four urban downtowns: Chicago, Atlanta, Boston, and San Diego. We believe the movement toward urban residential living is an important trend to understand in the downtowns of major U.S. cities today.

We want to determine to what extent the demand for these downtown housing units comes from empty nesters, young professionals, first time buyers or some other demographic. We also want to know whether these are second homes, speculative purchases or complete relocations from outside the city. While there is much anecdotal discussion, there is little hard data that has been collected and analyzed across different projects and cities profiling these buyers and determining why they are buying.

We assure you that your participation in this project is strictly voluntary and confidential. You can decline to answer any questions or to continue your participation in this work at any point without any adverse consequence. The information you provide will be safeguarded under specific guidelines provided by MIT.

Attached please find a simple form that we ask you to fill out from your own data for **123 Main Street** and return to us in the enclosed envelope or via e-mail response. We understand the proprietary nature of this information and we guarantee its confidentiality and will pool the data in a way the shields the identity of participants and projects. This method of insuring confidentiality is used with both the NCREIF data on pension fund returns and Smith Travel data for hotel performance. Importantly, we will be pleased to share with you the results of our analysis.

Thank you for consideration and we will call shortly to discuss this with you.

Sincerely,

Robert M. DeLaney Linda K. Pizzuti

EXHIBIT B

COPY OF SURVEY DISTRIBUTED TO DEVELOPERS AND BROKERS

THESIS SURVEY: URBAN LOFTS AND CONDOS

PROFESSOR WILLIAM WHEATON
MIT CENTER FOR REAL ESTATE
Prepared by:
Robert DeLaney and Linda Pizzuti
June 2005

Please fill out one survey per building, and email or mail the completed survey back to: lpizzuti@mit.edu, or Linda Pizzuti, 70 Pacific St #582B, Cambridge, MA 02139. Additional information or spreadsheets would be very helpful and appreciated. Thank you for your time!

1. PROJECT INFO
    a. Property Name:
    b. Address:
    c. Completion Date:
    d. Project type (high-rise, mid-rise, town home/loft):
    e. Number of Residential Units:
    f. Square foot size range of Residential Units:
    g. <u>Average</u> unit size (this is important info):
    g. Number of Parking Spaces and covered or uncovered:
    h. Price of Parking Spaces (or number included with unit sale):
    i. Number of on-site “affordable” units (or indicate if put offsite and # built):
2. BUILDING AMENITIES *Please indicate whether your property has the following amenities*
    a. Exercise Room (if yes, number of machines):
    b. Function Space:
    c. Concierge:
    d. Doorperson:
    e. Any “Green” design features promoted?:
    f. Other:
3. SALES FIGURES
    a. Range of Sale Prices per square foot for residential Units (excluding affordables):
    b. <u>Average</u> Sale price per square foot (important):
    c. Average dollar amount of upgrades sold per Unit:
4. SALES PERIOD
    a. Date first started taking reservations:
    b. Date model completed:
    c. Date of first closing:
    d. Current sellout percentage:
    e. Approximate sales velocity (# of sales/month):
    f. Date of total sellout (actual or projected):
    g. Where was the sale center in relation to the building under construction?:
6. COST OF LIVING
    a. Range of condo fees per unit or per square foot:
    b. Are owners billed separately for water, sewer, electric, gas, etc?

c. What does condo fee include?

7. DEED RESTRICTIONS

a. Are rentals allowed?

b. Are there any restrictions on when owner can re-sell the Unit?

9. OTHER

a. Relevant project information/competitive advantage of this project over competition:

Please approximate how many of the residential sales fit into each of the following categories. Sales are categorized as units that are under Purchase and Sale agreement or that have closed. If you would prefer, you can just include a spreadsheet with the demographics of each unit indicated.

DEMOGRAPHICS

Buyer Type	**Unit Count**
Separate legal entity (i.e. trust, LLC)	
Individual < 50 years old	
Individual > 50 years old	
Couple < 50	
Couple > 50	
Total Sales Count:	
Retired (individual or couple)	
Divorced	
Non-traditional Couples	
Number of units that were bought by first time home buyers	
Number of units with children living there	

LOCATION

Buyer Origination	**Count**
Already lived in the same city	
Moving in from the nearby Suburbs	
Relocating from another city/state	
Relocating from another country	
Total	

REASONS FOR MOVING *(can be more than one per unit)*

Buyer Motivation	**Count**
Job change / relocation	
Downsizing from larger home	
Upsizing from smaller home	
Wanted specific amenity	
Investment-only purposes	

OWNERSHIP TYPE

Buyer Tenure	**Count**
Owner full time	
Owner part time (2nd home)	
Investor (no plan to rent)	

Investor (with plan to rent)	
Total	

Prior to construction, what was your target market and how did that play out?

Was there any correlation that you found between the buyer type and the type of unit (such as, did certain demographics value more bathrooms, or proximity to elevator, or certain amenities, or better views over other buyer types?)

Any additional thoughts or surprises of your buyer profile or investor interest at this project?

EXHIBIT C

SUMMARY OF RESEARCH RESULTS : ASSESSOR DATA

Assessor Data: Atlanta
56% made homeowner exemption election
77% had tax bill sent to their condo
23% had tax bill sent to a different address broken down as follows:

- 9.8% within Atlanta
- 7.7% to another city in the state of Atlanta
- 5.5% to another state or country

Sales volumes have grown from 92 units at an average price of $125,506 in 1990 to 3,747 units at an average price of $494,526 in 2004. The rate of growth in price per square foot has leveled off since 2000.

Assessor Data: Boston
52% made homeowner exemption election
76% had tax bill sent to the same zip code
24% had tax bill sent to a different zip code

Assessor Data: Chicago
43**% made homeowner exemption election**
71% had tax bill sent to their condo
29% had tax bill sent to a different address broken down as follows:

- 11.5% had the tax bill sent to another zip code in Chicago
- 17.8% had the tax bill sent to a city outside of Chicago
- 6.4% had the tax bill sent to another state or country

Assessor Data: San Diego
50**% made homeowner exemption election**
69.6% had tax bill sent to their condo
30.4% had tax bill sent to a different address broken down as follows:

- 17.6% had bill sent outside of San Diego
- 12.8% had bill sent to another street address in San Diego???

EXHIBIT D

SUMMARY OF RESEARCH RESULTS : MORTGAGE DATA

Mortgage Data:

Mortgage Data: CY 2004 (new originations): Atlanta
85.9% owner occupied
14.1% non owner occupied
6.17% Second home
5.24 % Non owner occupied
2.69% Other
There have been 11,625 loan originations since 1st Quarter 2000.
Mortgage Data: CY 2004: Boston
85.5% owner occupied
14.39% non-owner occupied
4.56% Second home
5.92% Non owner occupied
3.91% Other
There have been 10,344 loan originations since 1st quarter 2000.

Mortgage Data: CY 2004 (new originations): Chicago
86.07% owner occupied
13.91% non owner occupied
4.50% Second home
5.93% Non owner occupied
3.48% Other
There have been 22,288 loan originations since 1st Quarter, 2000

Mortgage Data: CY 2004 (new originations): San Diego
80.03% owner occupied
19.93% non owner occupied
7.81% second home
10.93% Non owner occupied
1.19 % Other
There have been 14,697 loan originations since 1st Quarter, 2000.

EXHIBIT E

SUMMARY OF RESEARCH RESULTS : SURVEY SUMMARY

Survey Data: Atlanta
64% Owner occupied
36% Second home/investment
14% Age 50 and over
86% under age 50

Survey Data: Boston
68% Owner occupied
32% Second home/investment
50% Age 50 and over
50% under age 50

Survey Data: Chicago
68% Owner occupied
32% Second home/investment
38% Age 50 and over
59% under age 50

Survey Data: San Diego
63% Owner occupied
37% Second home/investment
41% Age 50 and over
52% Under age 50
(7% bought under separate legal entity, ergo no age data)

<u>EXHIBIT F</u>

SUMMARY OF SURVEY RESULTS : COMMENTS

Prior to construction, what was your target market and how did that play out?

The following are comments provided by the market participants that filled out the survey regarding the above question:

<u>Atlanta</u>:

"Move-up buyers – currently reside in a condominium in Midtown and wish to purchase a home with newer finishes. Single, highly educated with average-good income level."

"60% Single/Married Professionals, 30% Mature Buyers, 10% Investors"

"Our target market was a mix of young professionals, married professionals, full circle buyers, and investors. Prior to having finished product we sold mostly to young professionals, first time home buyers, and investors (under $250,000). After we had finished product our target buyer changed to the more affluent buyer who was purchasing the larger units higher up in the building."

"70% Young Professionals, 10% Full Circle buyers, 20% investors"

"Targeted for mostly first time buyers ages 25-40. Largest % of buyers fell within this age group."

"Targeted upper market, but should have done middle market"

"Bigger/broader market than first timers and boomers"

<u>Boston:</u>

"We anticipated that our typical buyer would be singles and couples working in the financial district. This has played true for the most part."

"A combination of suburban Empty Nester and Professionals in the Financial District. Our target was right on."

"Empty nesters, relocations/transfers, locals who want parking/new construction, first time home buyers, people who want a second "in town "place. Families who bought them for children going to graduate school and they would have a place to stay when in town visiting."

"South End upgrades and Back Bay/Beacon Hill buyers looking for more n.s.f. and finishes at same or lower price point compared to BB/BH."

"Young professionals in Boston and south end"

"Reasons for buying were principally the proximity to MGH (3 doctors are owners), gross price point and developing neighborhood with good potential for property appreciation"

"Target was young to mid-professionals and downsizing empty nesters"

Empty Nesters – More Likely That The Profile Was Younger With 2nd Home On Cape Or In Florida. Lots More Young Professionals

Chicago:

"Chicago had been lacking an upscale, contemporary condo development, with most of the higher-end product catering to those with more traditional tastes. Our target profile was the 30-50 year old demographic, annual income of $350K+, with a discriminating taste for modern luxury."

"Multiple income levels seeking prime lakefront luxury living. We offered exactly what market demanded."

"First time buyers"

"Because of the broad range of size and price, the target was also broad; from young singles to retired empty nesters"

"Large number of young people buying into a rather expensive building."

"Move-up buyers who had already discovered the neighborhood and didn't want to leave the area, but wanted more space."

"Young couples – primary buyers"

"Young professional. Target found. First time buyers and those seeking a larger unit."

San Diego:

"Surprised that most of their clients were single, and the number of 2nd homes"

"Buyer profile was largely dictated by price. Lower pricing drew first time homebuyers, parents buying for kids, investment purchasers. Higher pricing (with views or higher levels in building) drew higher income (single/dual) professionals, move-downs and buyer for second homes."

"Empty Nesters, Young Professionals"

"First time buyers, investors, professional singles"

"First time buyers, price sensitive buyers"

"Move up buyers from downtown SD and out of area buyers from suburbs"

"We targeted downtown renters with the average age of 25-30. This currently represents less than 20% of our buyers."

EXHIBIT G

SUMMARY OF SURVEY RESULTS : COMMENTS

Was there any correlation that you found between the buyer type and the type of unit?

The following are comments provided by the market participants that filled out the survey regarding the above question:

Atlanta:

"Every buyer seemed to love the amenity package."

"Larger percentage of male first time buyers. Within the metro area, generally see more single female making first time purchases."

Boston:

"Many 1st time buyers and investors are buying the studios and 1 beds while many couples are buying the 2 beds."

"Older buyers favored views, younger buyers favored more space and outdoor terraces"

"Moderate correlations between type of buyer and unit selected. Primary residences care more about view. People wish to be further from the elevator"

"Younger Buyers Bought The Smaller Units Which Were Under $1,000,000."

Chicago:

"Most of our buyers turned out to be passive buyers – buyers whom were not actively in the market for a new home. The design and architectural nature of the development turned them into active buyers for our product."

"Premium lakeviews drove sales with non-lake views also in high demand because of livable-styled floor plans (2bedrooms + den) where den offered office/den space w/o interrupting living space"

"Heavy investor activity"

San Diego:

"More DINKS than anticipated"

"not as many alternative lifestyle couples as expected"

"the two bedroom/two bath units were sold first. The studio/loft units are harder to sell."

EXHIBIT H

SUMMARY OF SURVEY RESULTS : COMMENTS

Any additional thoughts or surprises of your buyer profile or investor interest at this project?

The following are comments provided by the market participants that filled out the survey regarding the above question:

Atlanta:

"We were right on target with our anticipated buyer. We knew there was a desire for larger square footage in Midtown, so we helped design larger floor plans. (everything new in Midtown has been small square footage majority being 550-800 square feet) We also designed the floor plan layout to allow for combination units."

"Condo buyers in general typically buy for the lifestyle. They lead very busy lives and love the convenience of not having to maintain their own yards and having a variety of amenities."

"We knew there was high demand for this project—extremely pleased to be sold out with 12 to 14 weeks."

"More retired people than anticipated."

Boston:

"Big building features, Brownstone charm." The direct elevator access and garage parking drove prices to the highest ever [on this street], by both unit cost and $$$/n.s.f."

"More Single Women Than Expected"

Chicago:

"Project does not welcome investors, speculators or non-occupants. Program is geared to live-in clientele only who desire a prime lakefront location. Carefully engineered floor plans (each featuring den/office space) has driven project's success."

"The percentage of 2nd home buyers was higher than expected."

"Unique offering for this neighborhood; very few townhomes have been built, and very few will probably ever be built, due to the rising price of land."

"Low interest rates have made buyers out of those who were customarily renters."

San Diego:

"Investors love downtown San Diego….we have as many investors as we do second home purchasers."