MULTI-FAMILY RENTAL MARKET REPORT

CAPITAL REGION, NY

(Albany, Schenectady, Saratoga, Rensselaer)

SPRING 2001

PREPARED BY

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AN AFFILIATE OF

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INTRODUCTION

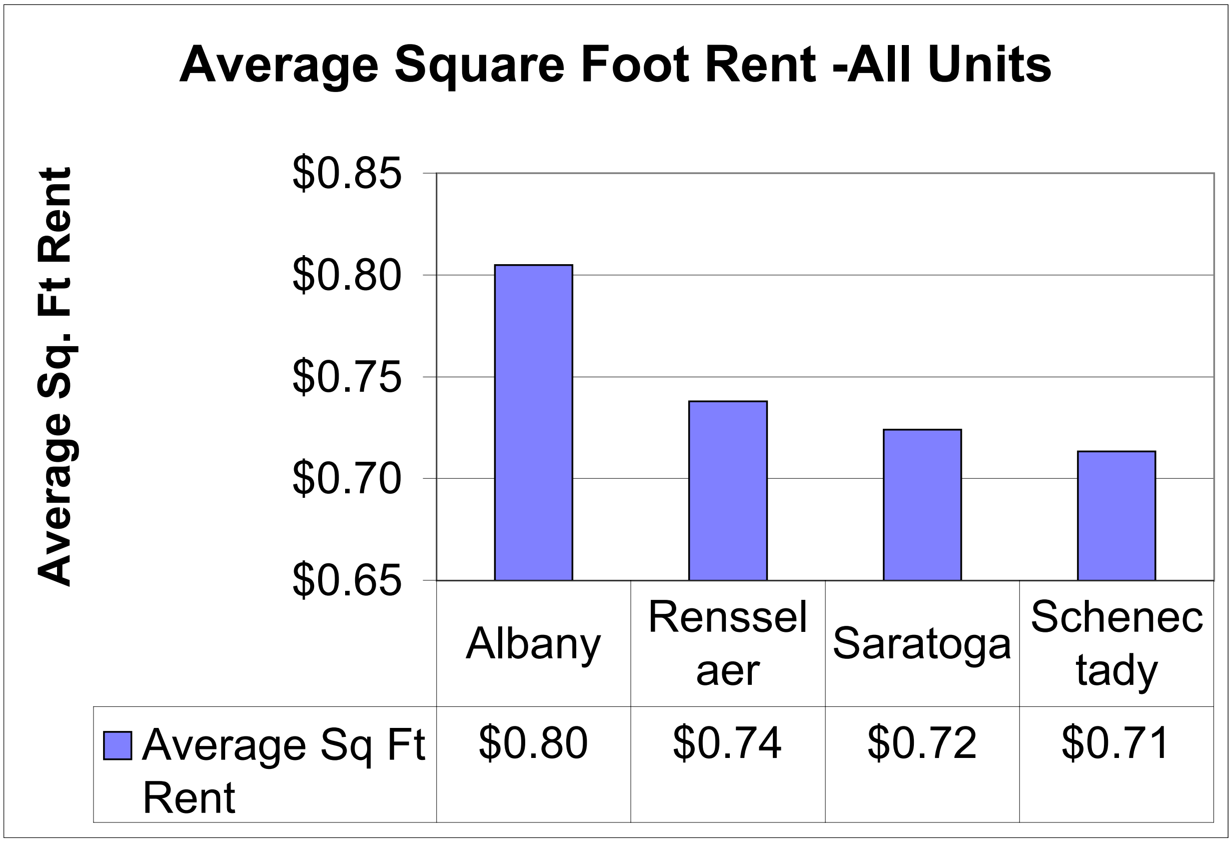
This report, prepared by **Sunrise Management and Consulting**, an affiliate of ***The Howard Group*** will provide all of the recipients with a basis for rental market information on the four counties of Albany, Schenectady, Rensselaer and Saratoga. This detailed survey of the residential apartment inventory within the Capital Region was recently undertaken in order to better understand the nuances of the pricing and rental concessions which are affecting the market.

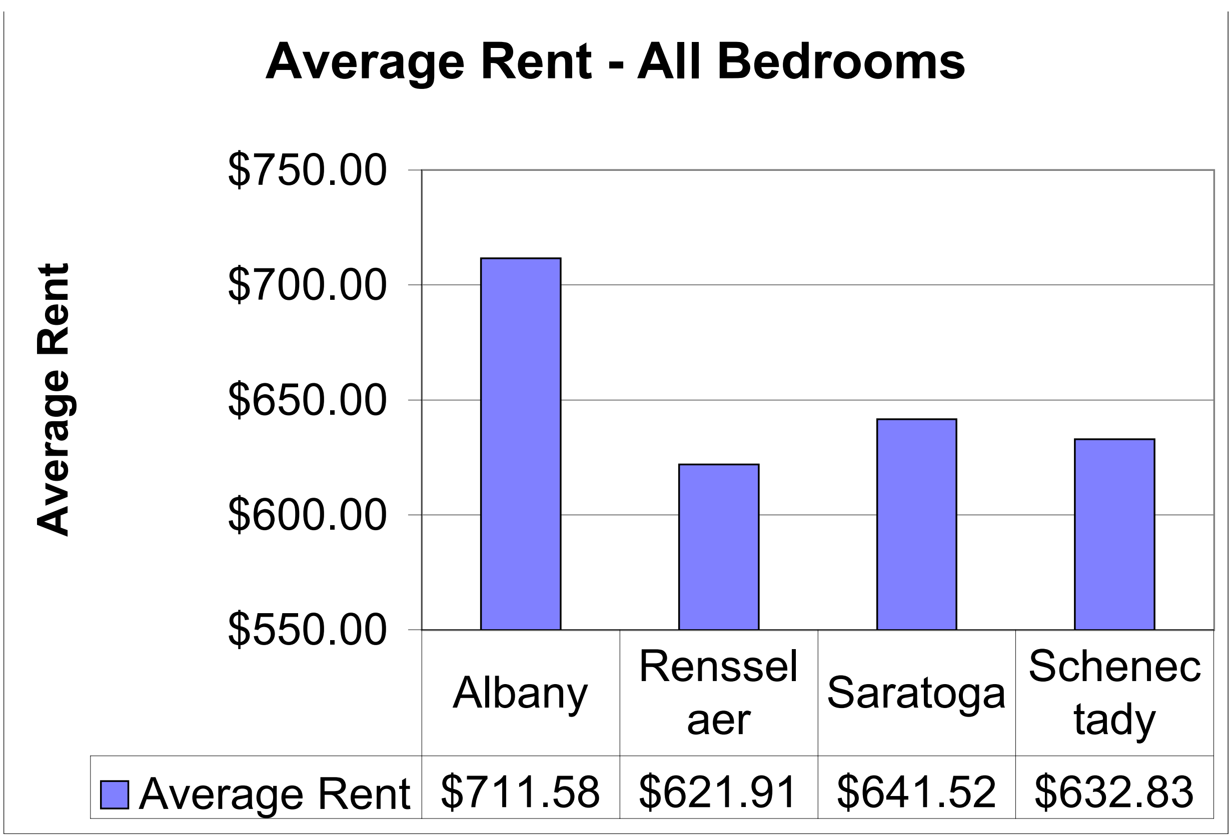
The survey was compiled by THG and SMC by collecting parcel information and verifying information through onsite visits. Most of the properties were "shopped" either onsite or via telephone and resulted in collection of marketing information utilized by the projects and their management. Additional confirmation was achieved through additional sources in order to allow an unbiased look at the market. A consultant developed the database format which derived the enclosed graphs and charts.

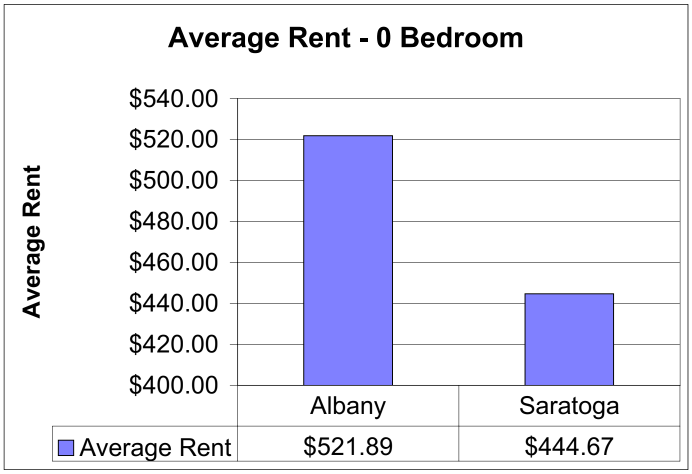
The purpose of the study was to establish baseline information on the market that would enable us to interpret the market movements and trends. These trends will help determine the levels of increase, or decrease, resultant from the market versus operational differences. It is our belief, as a company of real estate professionals, that the more informed the participants within the market are, the better the delivery and the product for the public.

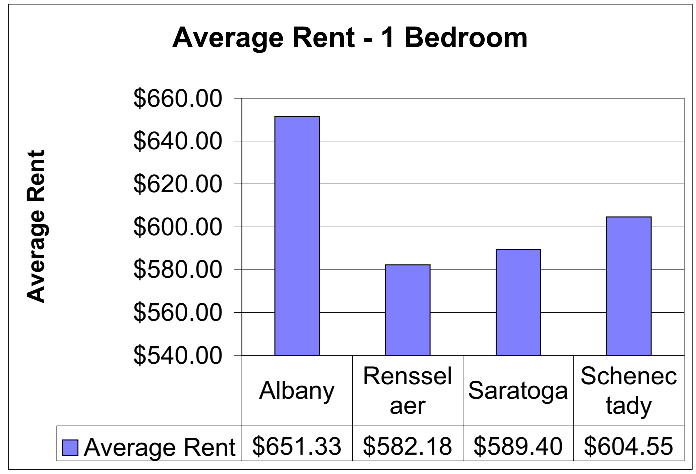
We are committed to the belief that the residential rental business is probably the second largest business within our market. Understanding the information is a gateway to assist all owners and operators to **raise the bar** on this business. This will only result in better operating results, equity growth and asset preservation.

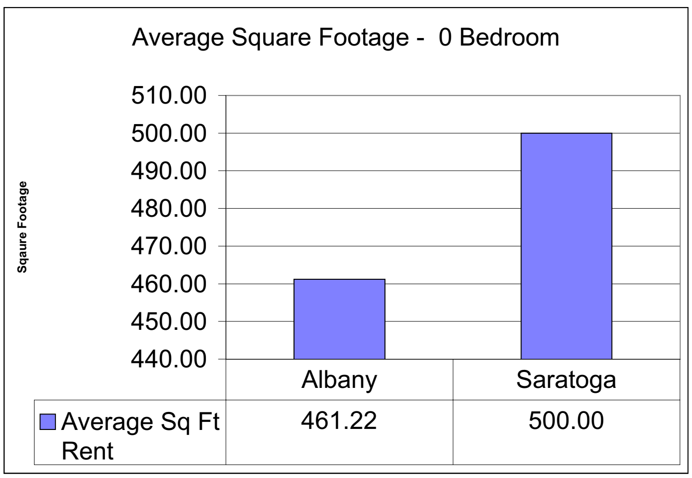
The ability to understand the nuances of the market lie within the data of the market. We are confident that the implementation of the findings of this study can result in dramatic differences in the bottom line for your property. Please feel free to request an interpretation relating to your holdings.

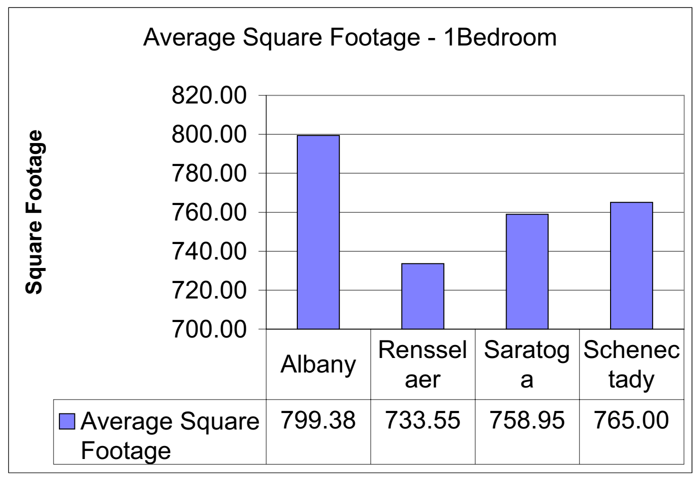

Average Square Foot Rent -All Units
Average Sq. Ft Rent
$0.85
$0.80
$0.75
$0.70
$0.65
Albany
Renssel aer
Saratoga
Schenec tady
Average Sq Ft Rent
$0.80
$0.74
$0.72
$0.71

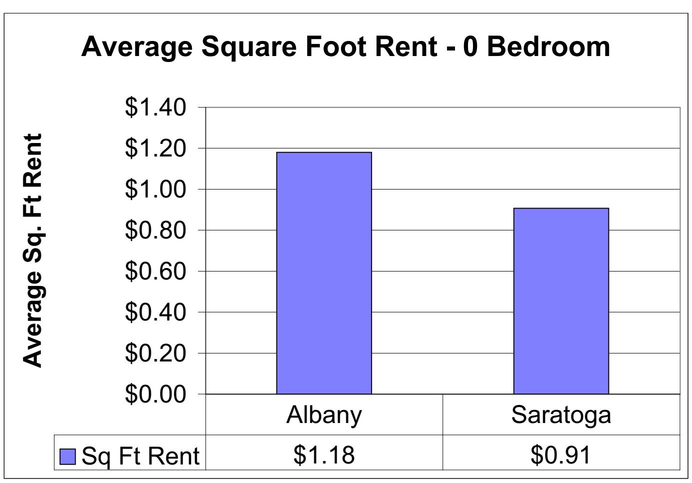

Average Rent - All Bedrooms
Average Rent
$750.00
$700.00
$650.00
$600.00
$550.00
Albany
Renssel aer
Saratoga
Schenec tady
Average Rent
$711.58
$621.91
$641.52
$632.83

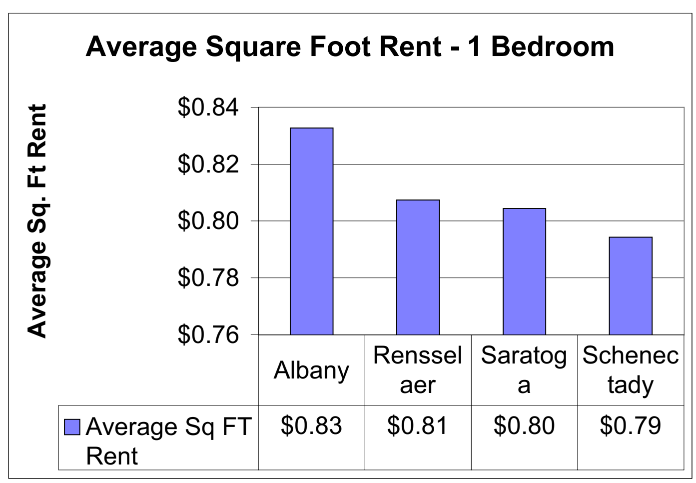

Average Rent - 0 Bedroom
Average Rent
$540.00
$520.00
$500.00
$480.00
$460.00
$440.00
$420.00
$400.00
Albany
Saratoga
Average Rent
$521.89
$444.67

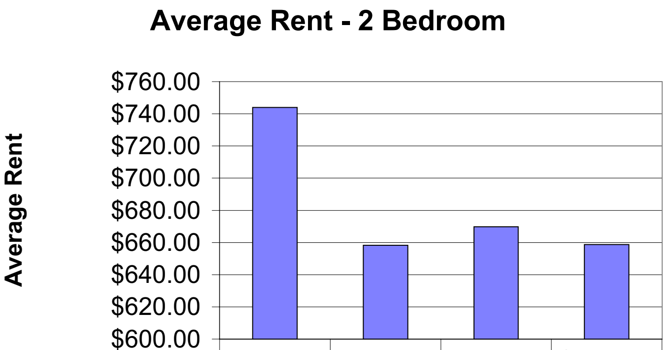

Average Rent - 1 Bedroom
Average Rent
$660.00
$640.00
$620.00
$600.00
$580.00
$560.00
$540.00
Albany
Renssel aer
Saratoga
Schenec tady
Average Rent
$651.33
$582.18
$589.40
$604.55


Average Square Footage - 0 Bedroom
Square Footage
510.00
500.00
490.00
480.00
470.00
460.00
450.00
440.00
Albany
Saratoga
Average Sq Ft Rent
461.22
500.00

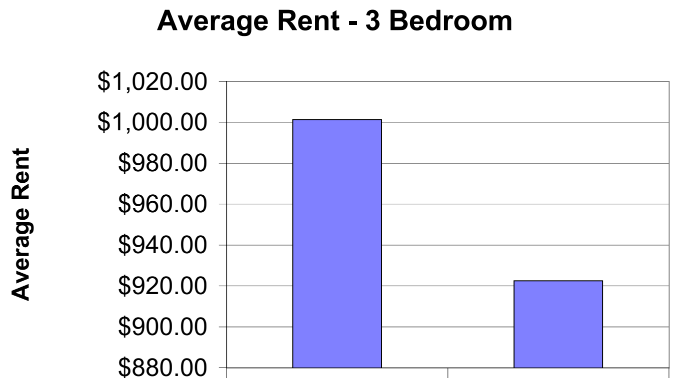

Average Square Footage - 1Bedroom
Square Footage
820.00
800.00
780.00
760.00
740.00
720.00
700.00
Albany
Renssel aer
Saratog a
Schenec tady
Average Square Footage
799.38
733.55
758.95
765.00


Average Square Foot Rent - 0 Bedroom
Average Sq. Ft Rent
$1.40
$1.20
$1.00
$0.80
$0.60
$0.40
$0.20
$0.00
Albany
Saratoga
Sq Ft Rent
$1.18
$0.91

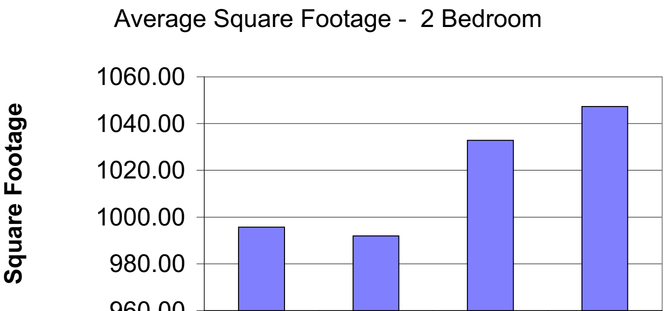

Average Square Foot Rent - 1 Bedroom
Average Sq. Ft Rent
$0.84
$0.82
$0.80
$0.78
$0.76
Albany
Renssel aer
Saratog a
Schenec tady
Average Sq FT Rent
$0.83
$0.81
$0.80
$0.79



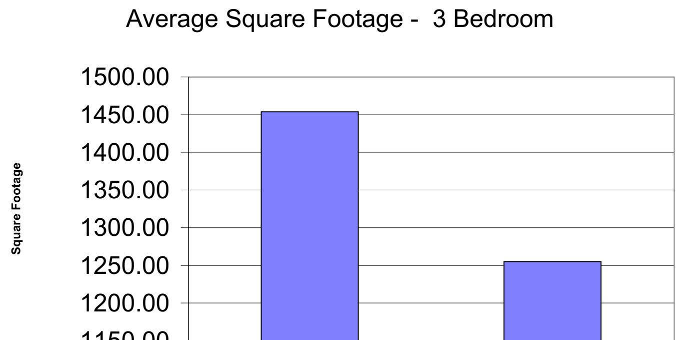
	Albany	Rensselaer	Saratoga	Schenectady
Average Rent	$743.93	$658.33	$669.71	$658.75



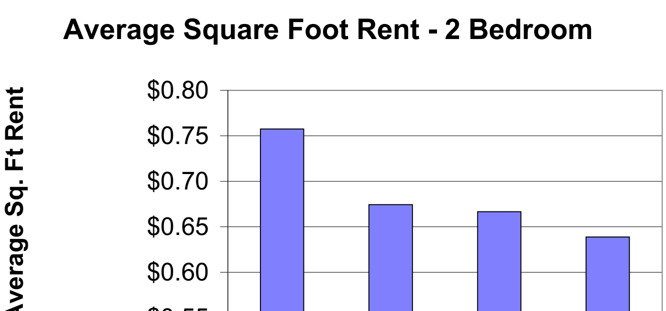
	Albany	Saratoga
Average Rent	$1,001.36	$922.50



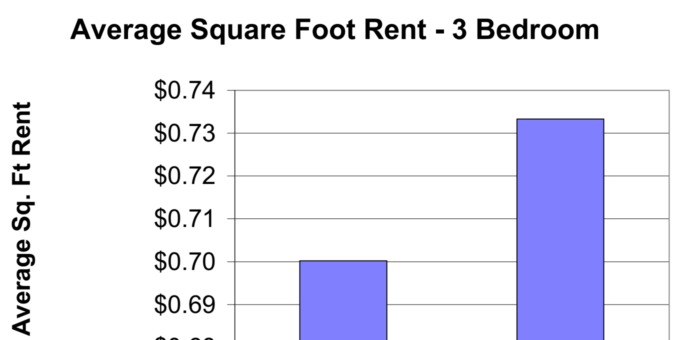
	Albany	Rensselaer	Saratoga	Schenectady
Average Sq. Foot	995.70	991.92	1032.84	1047.33



	Albany	Saratoga
average Sq Footage	1453.82	1255.00



	Albany	Rensselaer	Saratoga	Schenectady
Average Sq Ft Rent	$0.76	$0.67	$0.67	$0.64



	Albany	Saratoga
Average Sq Ft Rent	$0.70	$0.73

Albany County

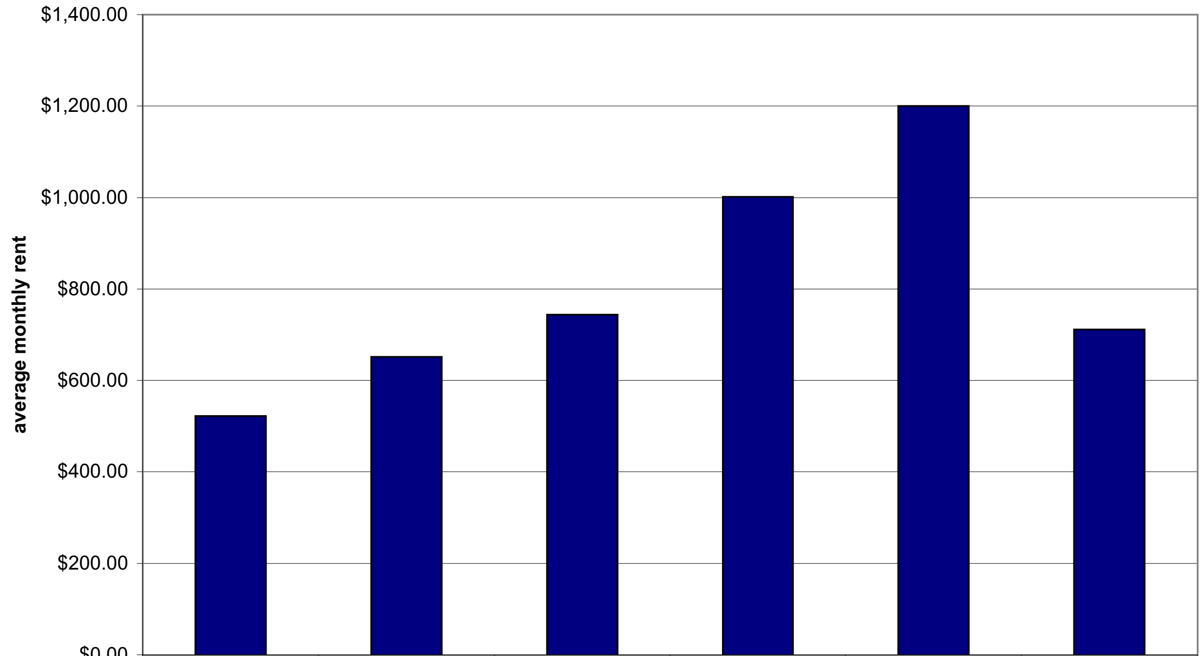
While the greatest number of units surveyed was found within Albany County, and the highest rate per square foot was found in the studio format. This particular form of unit reflects the highest per square foot rate, but not necessarily the lowest vacancy level.

The one bedroom format in Albany County shows a slightly higher rate per square foot and this product shows a higher level of occupancy and lower overall vacancy rates. The two bedroom configuration is again showing the upward trend within Albany County that is reflective of the greater level of rent that is achievable for the similar product presentation than in surrounding counties.

The 3 bedroom product is also reflecting a similar pattern of increased rent levels for the product size and format.

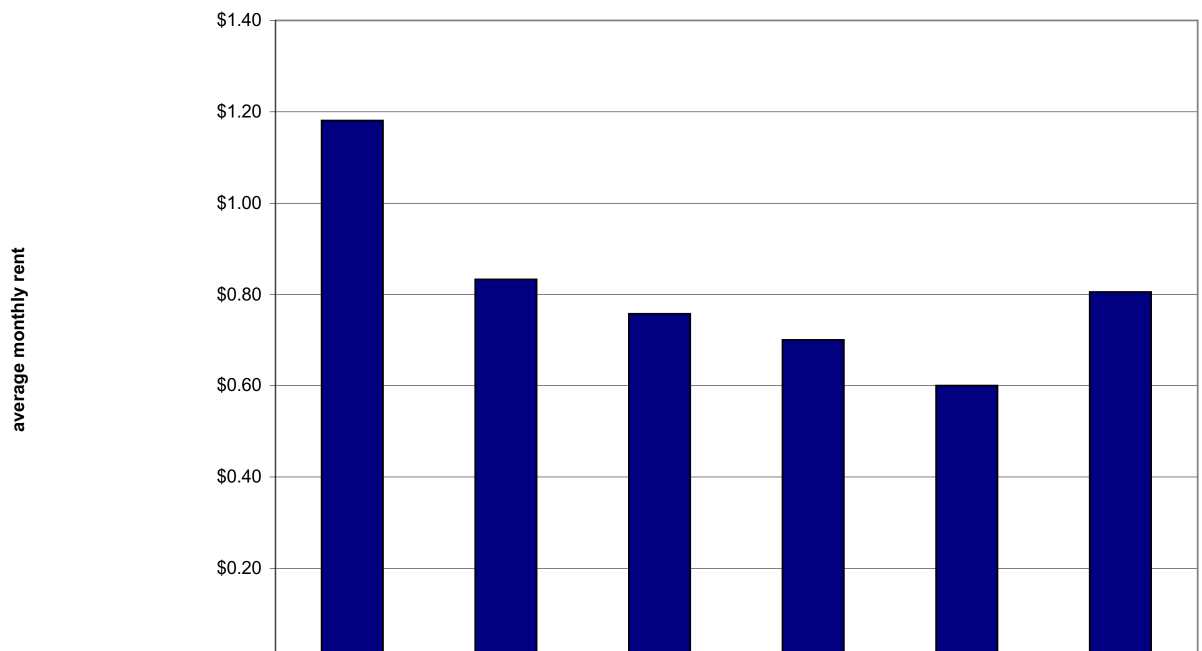
On the average the market within Albany County is reflective of the rents that were found in the survey. These higher rent levels are evidence of the superior perception that the market places on the Albany County locations, allowing for greater rents per square foot, while most of these properties support cost structures, which are very close to each other. In addition, those projects which are being well run show rent levels which are outpacing competitive properties of lower quality operations. The level of taxes, insurance, maintenance, and vacancy and credit losses are nearly identical. The overall conclusion drawn from this information can only be that the higher rents are supported by the market influences that command this higher rent structure.

Albany County - Average Rent



	0 bedroom	1 bedroom	2 bedroom	3 bedroom	4 bedroom	Average
Rent	$521.89	$651.33	$743.93	$1,001.36	$1,200.00	$711.58

Albany County - Average Square Foot Rent



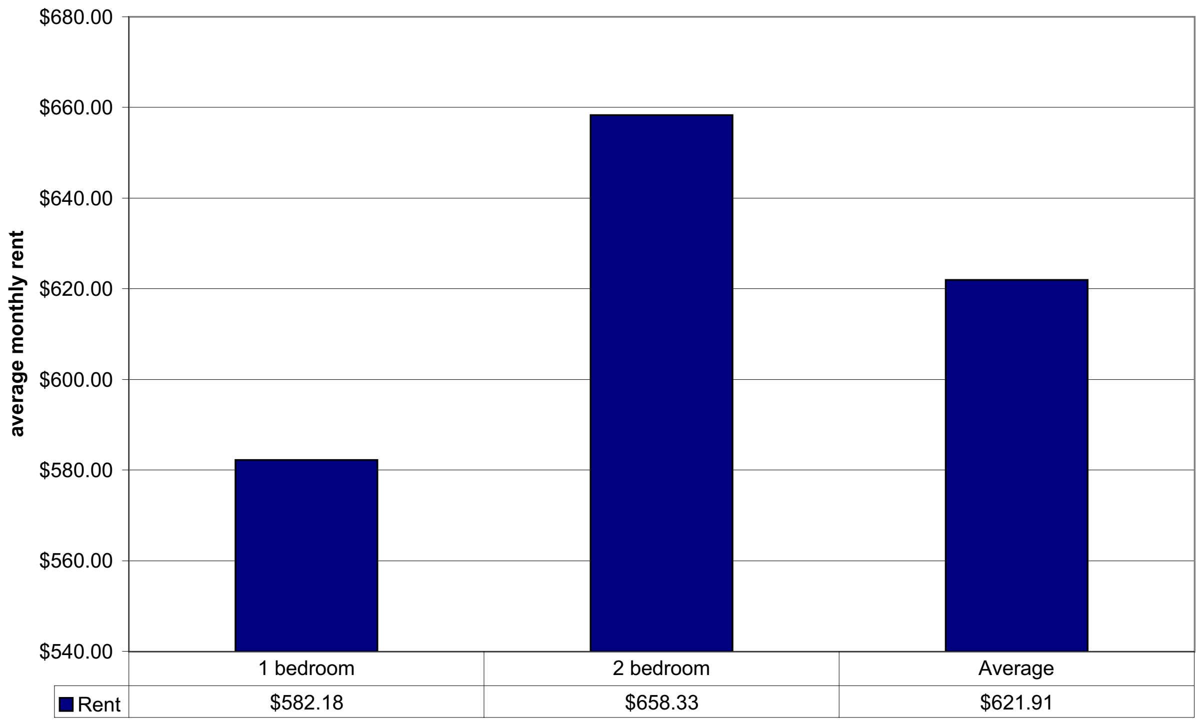
	0 bedroom	1 bedroom	2 bedroom	3 bedroom	4 bedroom	Average
Average Square Foot Rent	$1.18	$0.83	$0.76	$0.70	$0.60	$0.80

Rensselaer County

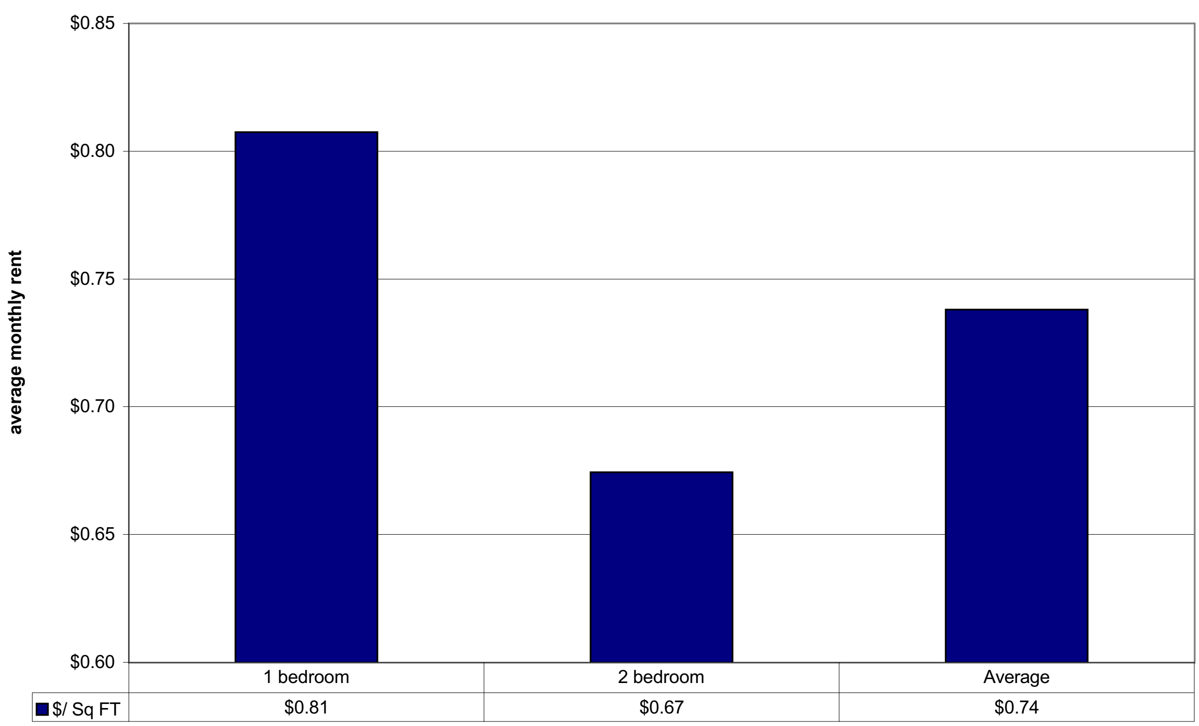
Unprecedented growth in this market has surprised the real estate market. This is expressed through the rent levels which are matching those being achieved in the Saratoga County market. Where Saratoga has been the preferred location, the increased issues focused around the commuting problems have shifted a major portion of the market focus to the easterly county to Albany, the seat of state government. With its proximity to the employment centers being equal in commute time and convenience, Rensselaer County has emerged as a realistic alternative to the rental housing locations garnering the better rates within the market place.

The primary product inventory in this market is approximately 15-25 years old. There has been a lack of new construction, but the varied alternatives have proved to be a formidable competitor to the surrounding counties' products. Coupled with high quality maintenance levels and higher rents, the market has begun to mature into one which will be able to compete with the other surrounding communities in the Capital Region.

Rensselaer County - Average Rent



Rensselaer County - Average Square Foot Rent



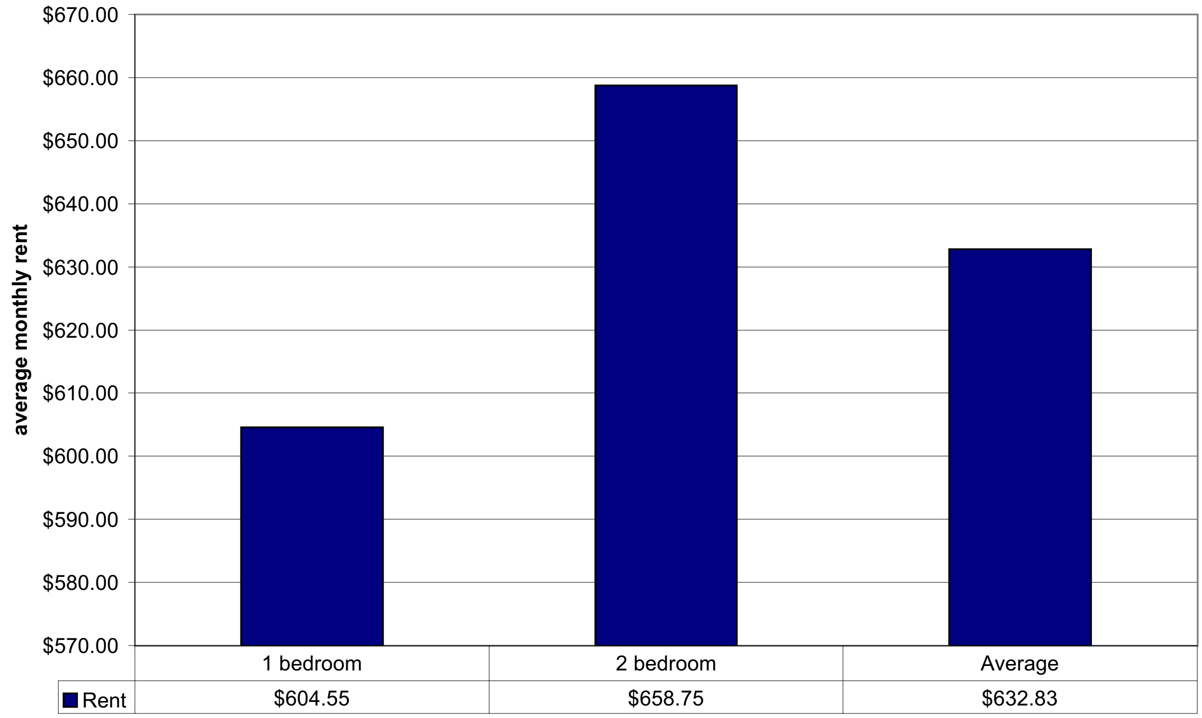
Schenectady County

The rents which were found in the survey reflect lower averages, on a per square foot basis, than other neighboring counties. The current housing market conditions within the county are reflective of the overall perception within the Capital Region marketplace. The current oversupply and weak demand levels in most areas within the county support the lower rent structures which are having difficulty being achieved.

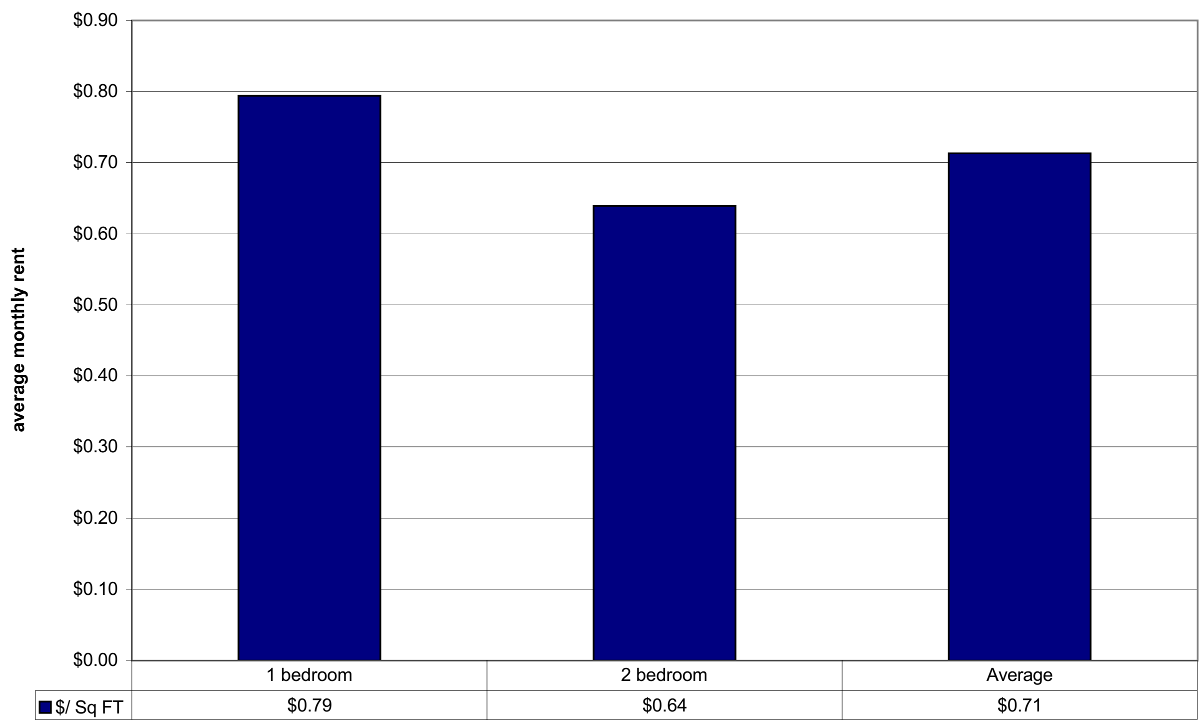
Based on conversations with some of the management teams currently operating the properties surveyed, there is a definitive discrepancy between the rent levels reported and those which are readily accepted by the market. While only those rents which could be verified were used in the survey, there is considerable evidence that rent concessions are readily offered in order to support the rent levels reported.

The levels of operational costs are nearly equal when compared to the other counties within the market area. However, the level of the real estate taxes, when compared to the rent structure which is obtainable in the market, are a greater portion of the gross rent than in other municipalities. This would cause the investor to proceed with caution in this market when comparing properties in Schenectady County to others within the region.

Schenectady County - Average Rent



Schenectady County - Average Square Foot Rent

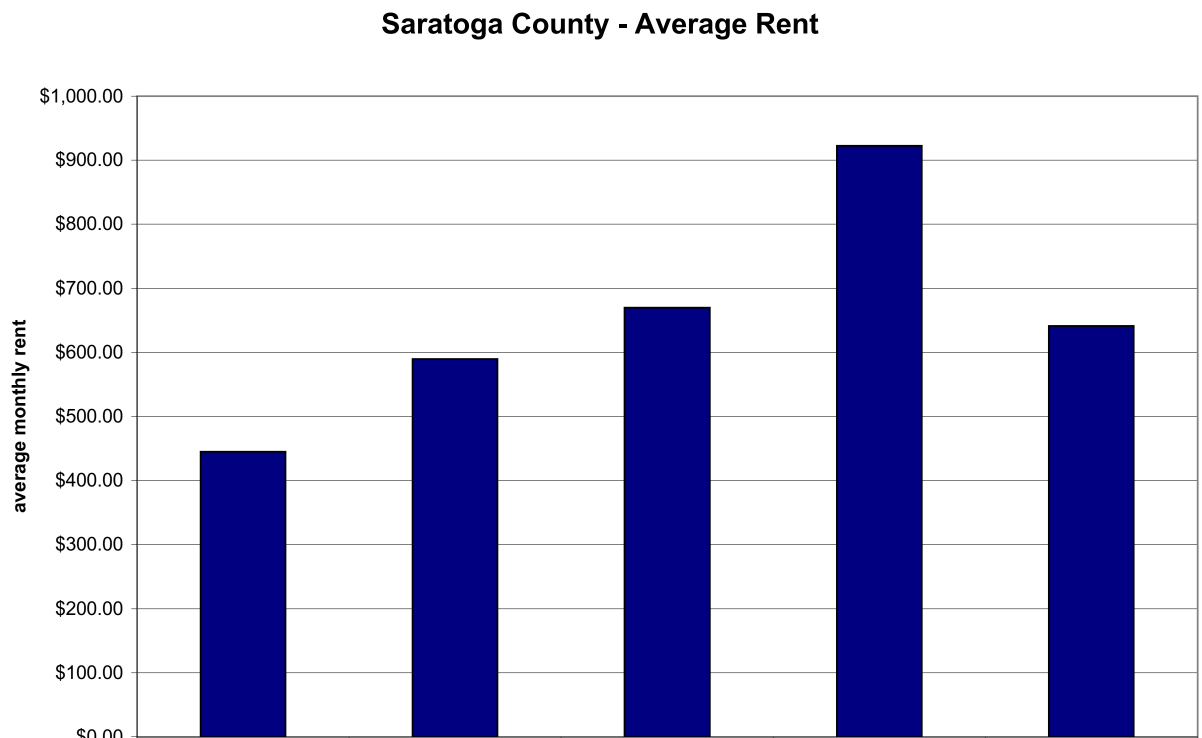


Saratoga County

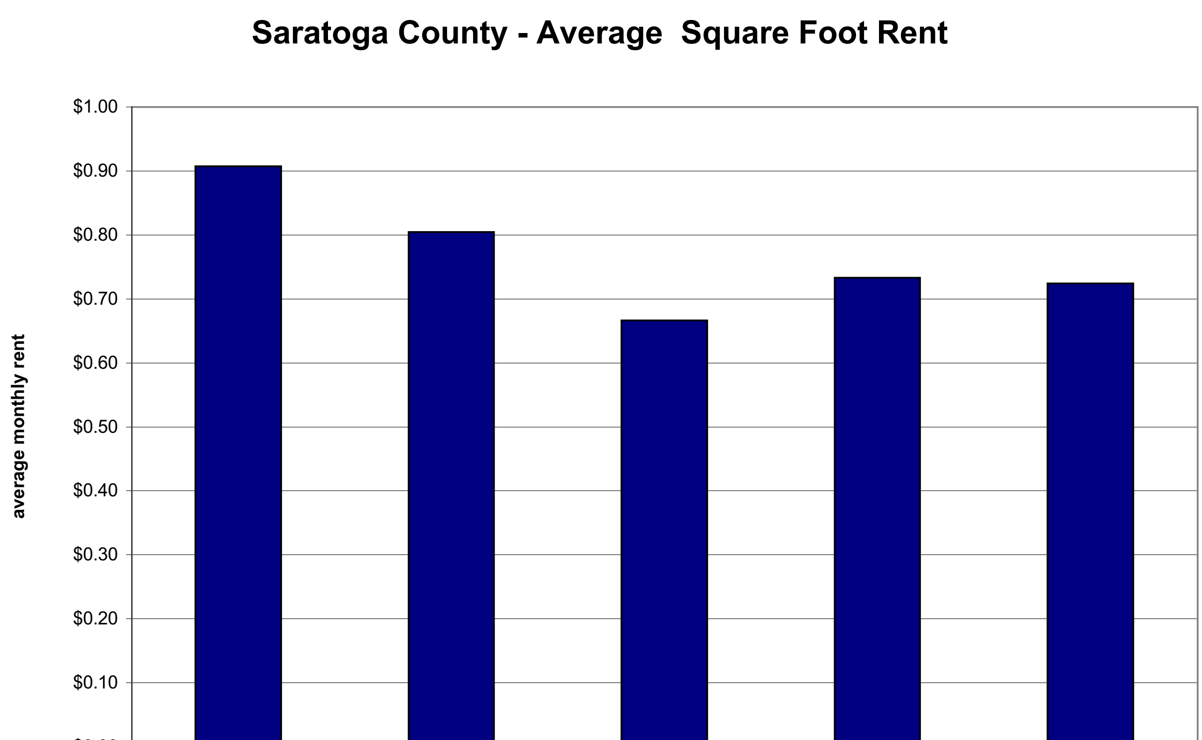
This sub-market is reflective of the numbers which have been expected within the market place. Overall increases in actual net rents have been the highest in this geographic location. While the numbers shown herein are nearly equal to those which are shown for Rensselaer County, the rate of increase in Saratoga County is far ahead of all the other markets reviewed.

The overall inventory of product within the County is very much of a younger nature with the bulk of the development having taken place over the last 20 years, with greater numbers of units being developed in spurts over this time period. The late sixties and early seventies show high levels of development, as did the time periods of the mid-eighties, and recently within the mid 90's through today. Additionally, the level of demand for rental units within the City of Saratoga has skyrocketed within the last 10 years.

The prognosis for the Saratoga County Market is one we believe will continue to experience rental rate growth while the unit count and product presentation continue to evolve based on the needs and requirements of the market.



	0 bedroom	1 bedroom	2 bedroom	3 bedroom	Average
Rent	$444.67	$589.40	$669.71	$922.50	$641.52



	0 bedroom	1 bedroom	2 bedroom	3 bedroom	Average
$/ Sq FT	$0.91	$0.80	$0.67	$0.73	$0.72

FORCAST

Certain elements of the market are factual in nature. We, as owners operators and managers of real property, can do many things that will influence the operational results of our respective properties, however the facts of the market are the same for all of us.

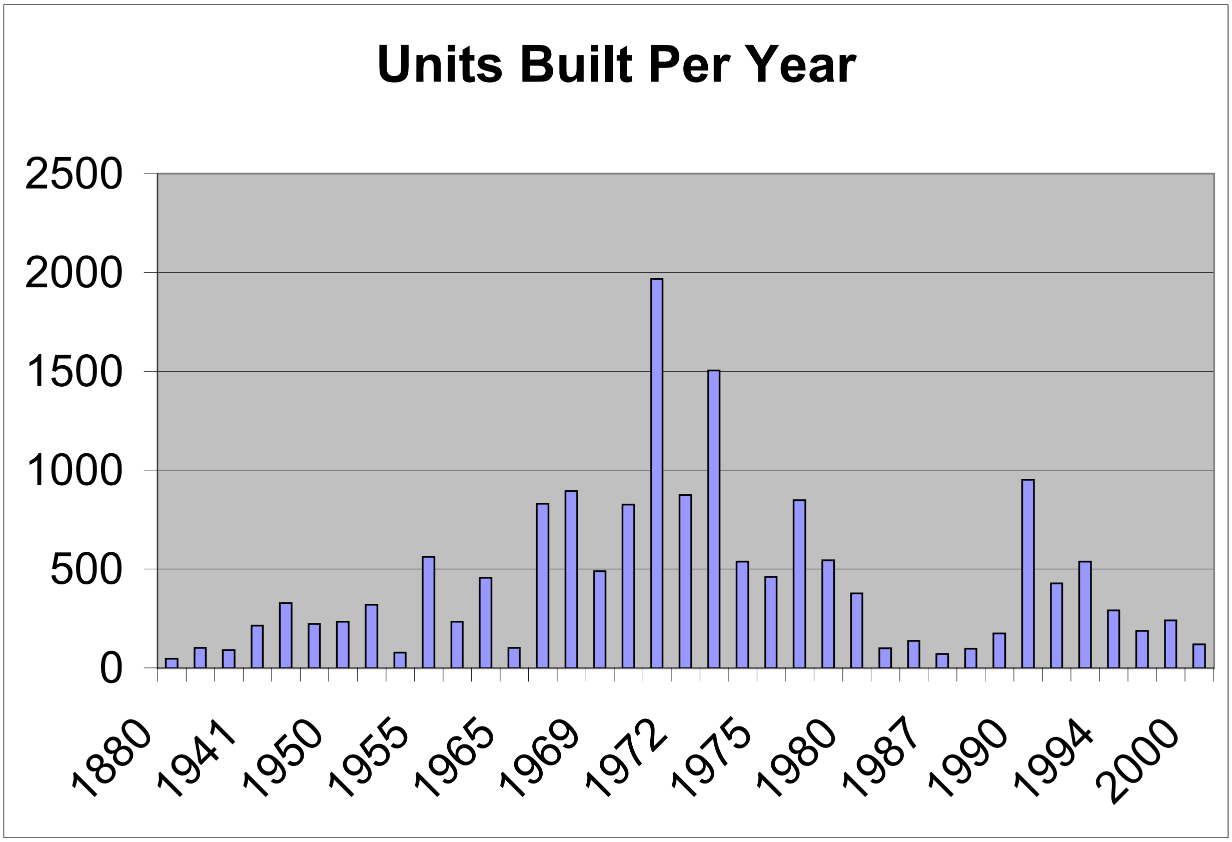
The greater Capital Region market area that was reviewed is experiencing growth that seems to be undocumented at the moment. We are awaiting the final census information to tell us whether or not the area has grown and where that growth has occurred. We are convinced that growth has occurred and we can be relatively certain where the bulk of it has occurred.

The level of household formation in the region has increased over the last 5 years. This is evident from the number of single family homes that have been built over the same term. There is no substantial glut of homes on the market which would lead us to conclude that there is an oversupply. In general, the market is operating at a level that is typical for the market on an historic basis.

The level of new construction in the housing arena has been unprecedented over the last five years, except in the area of multi-family rental housing. As is evidenced by the following illustration, the level of new multi-family rental housing units which have been delivered is far below the level of household formations which have occurred in the same time frame. This has brought us to the current position of the market which has rents rising with low vacancy rates.

Most important of all elements to be reviewed is the fact that the product available within the market has not changed in any substantial manner. While some owners have invested in some renovation and rejuvenation, the dominate product available to the market remains substantially the same as has been presented over the last 20 years. The recent introduction of alternative product presentations will result in changes in the public perception of the values of the multi-family housing modern amenities. While it is still too early to measure these impacts, we expect to see some concessions from properties that lack these modern amenities, should the market start to place more emphasis on these conveniences.

The respective levels of functional obsolescence in the property types within the market will cause the product presentation to change in order to provide acceptable alternatives to the amenities which the property lacks. Those managers that do not adapt to this fact will experience higher levels of vacancy and declining rents if they do not react to this change. Providing alternatives which have meaning to the renting public will become a bigger part of the marketing function, and delivering these products at an acceptable level will prove critical to the continued success of the properties. Gaining assistance in this function will provide the ownership with a means to remain effective (higher profits) and competitive (greater long term asset value).


Units Built Per Year
2500
2000
1500
1000
500
0
1880
1941
1950
1955
1965
1969
1972
1975
1980
1987
1990
1994
2000

CREDITS

Staff of Sunrise Management and Consulting developed the survey that led to this initial multi-family rental market report. Jesse Holland created the database that forms the basis for this survey. Howard Carr of The Howard Group created the market analysis included in this report. The project research director was Richard Dolins. Data collection and verification was handled by the above as well as Keith Flores, Cindy Smith and Alicia Goodreau.