

## New Haven, CT

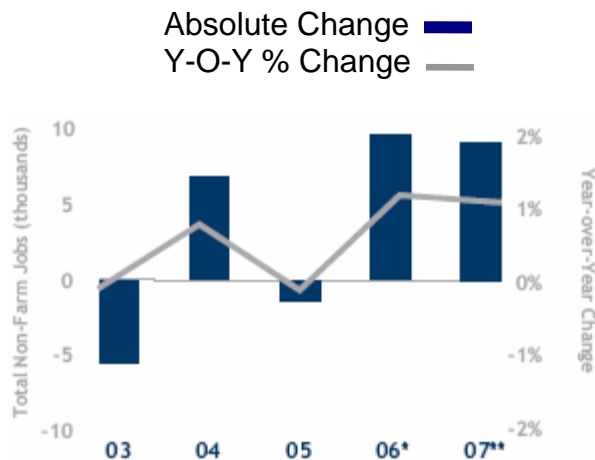
### Solid Demand Persists Despite Modest Revenues Growth

Steady demand for New Haven apartment properties will lead to modest revenue gains in 2007. Although completions are forecast to jump to more than twice the average annual rate over the past five years, vacancy is only expected to rise slightly in 2007. As ground-up projects deplete the supply of developable land, builders are becoming increasingly interested in redevelopment plays. Nonetheless, the delivery of higher-end units, both ground-up and redevelopment, will assist in elevating asking rents metro-wide, with the most dramatic gains in the West Fairfield County area.

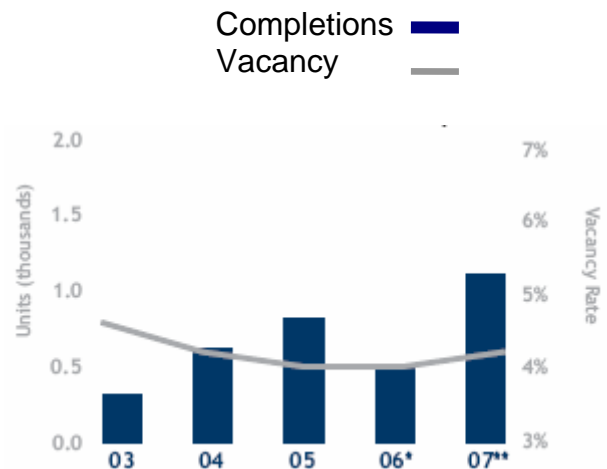
The 25- to 34-year-old age market is opting for the convenience of downtown renting over high-cost suburban housing. As a result, the student-rich New Haven CBD and its immediate neighboring communities should record solid rent growth this year, particularly among class B properties and redeveloped, mixed-use assets.

Increasing rents will largely offset the mild increase in vacancy, keeping operating incomes in a stable range. The gap between buyers' and sellers' expectations appears to be narrowing, which should keep velocity at healthy levels this year. Institutions will continue to target assets in Fairfield County and New Haven counties, where cap rates for Class A properties are in the low-5 percent range. The market for apartment assets outside of Fairfield County, where many of the properties are Class B/C quality and cap rates range in the mid-6 percent range, will continue to be dominated by individual investors and limited partnerships. Only larger portfolios and new construction will garner attention from institutions.

#### Employment Trends



#### Supply and Demand



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### 2007 Market Outlook

**Employment Forecast:** Total employment in the New Haven/Stamford area is expected to grow by 1.1 percent this year, an addition of 9,000 jobs after a 1.2 percent gain in 2006. Positions in educational and health services sector will account for more than half of the new jobs this year.

**Construction Forecast:** Completions will total 1,100 units this year, after 475 units came online in 2006. Nearly 70 percent of this year's completions will be concentrated in West Fairfield County.

**Vacancy Forecast:** Increased construction activity will result in a 20 basis point up-tick in vacancy in 2007 to a still-tight 4.2 percent. Properties in Fairfield County will experience the greatest vacancy increases.

**Rent Forecast:** Asking rents are expected to advance 3.0 - 4.0 percent in 2007.

**Investment Forecast:** Stable operating performance should maintain current levels of investor demand and sales activity. Buyers seeking upside potential may want to look to the numerous properties outside Fairfield County that are not professionally managed, where owners have been slow to implement even modest rent increases. We anticipate a strengthening and shift in investor attention to the shoreline counties (New Haven and New London) as service based businesses migrate to the I-95 and I-91 corridors in the south eastern portion of the state.

#### Rent Trends



\* Estimate \*\* Forecast

#### Sales Trends

