

TERZO & BOLOGNA INC.

SPRING 2003 DETROIT APARTMENT MARKET STUDY

A sluggish economy and very low interest rates have caused increased softening of the metro Detroit apartment market over the past year. Unfortunately, the weakness in the apartment market is not expected to improve anytime soon, as unemployment continues to rise and interest rates are expected to stay at 40-year lows over the next several quarters. Vacancies have risen 1.2 percent over the past year, and concessions in the form of free rent are more significant than one year ago. In fact, as Class A properties have maintained concessions and dropped face rents, the Class B market has been experiencing a rapid increase in vacancies and has also been forced to implement concessions. Apartment construction has slowed considerably from previous years, and many pending projects are being put on hold for the short term until the economic climate improves.

The data included in this Study analyze the changing trends of the metro Detroit apartment market, breaking the metropolitan area down into various submarkets, each of which is geographically defined and each of which maintains its own dynamics. The six individual submarkets of the metropolitan Detroit apartment market are delineated on the following map.

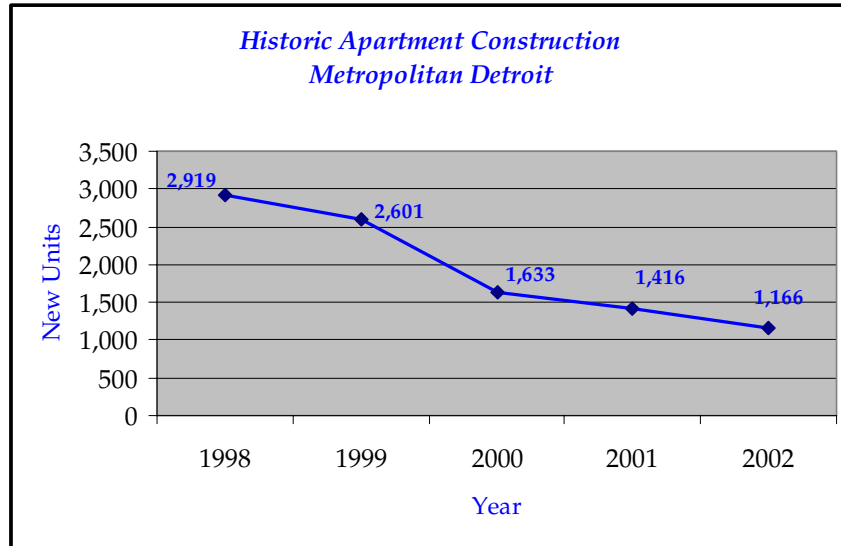


The metro area continues to expand outward in a northerly and northwesterly direction. Macomb County gained the greatest number of persons between 2000 and 2002, and two of the top three growth areas from the 2000 Census are located here. Future growth in Oakland County, which had previously been the fastest growing area of metro Detroit, is restricted by below average accessibility in the northern section, so as Oakland County becomes more established in the southern and central areas, county growth is expected to abate. The top ten growth areas in the metro area, ranked by total growth, are shown in the chart below.

AREAS OF GREATEST POPULATION GROWTH

<i>Municipality</i>	<i>1990 Census</i>	<i>2000 Census</i>	<i>Total Growth</i>	<i>% Change</i>
Macomb Township, Macomb Cty.	22,714	50,478	27,764	122.2%
Canton Township, Wayne Cty.	57,047	76,366	19,319	33.9%
Shelby Township, Macomb Cty.	48,655	65,159	16,504	33.9%
Novi, Oakland Cty.	33,148	47,386	14,238	43.0%
Commerce Twp., Oakland Cty.	22,156	34,764	12,608	56.9%
Pittsfield Township, Washtenaw Cty.	17,650	30,167	12,517	70.9%
Orion Township, Oakland Cty.	21,019	33,463	12,444	59.2%
Chesterfield Twp., Macomb Cty.	25,905	37,405	11,500	44.4%
West Bloomfield Twp., Oakland Cty.	54,852	64,860	10,008	18.2%
Clinton Twp., Macomb Cty.	85,866	95,648	9,782	11.4%

Despite an increase in the number of multifamily building permits, new apartment construction is showing a declining trend. The total number of units added in 2002 declined by 18 percent from 2001 figures. With multifamily building permit activity increasing, attached condominium construction is therefore increasing as a percentage of total multifamily development.



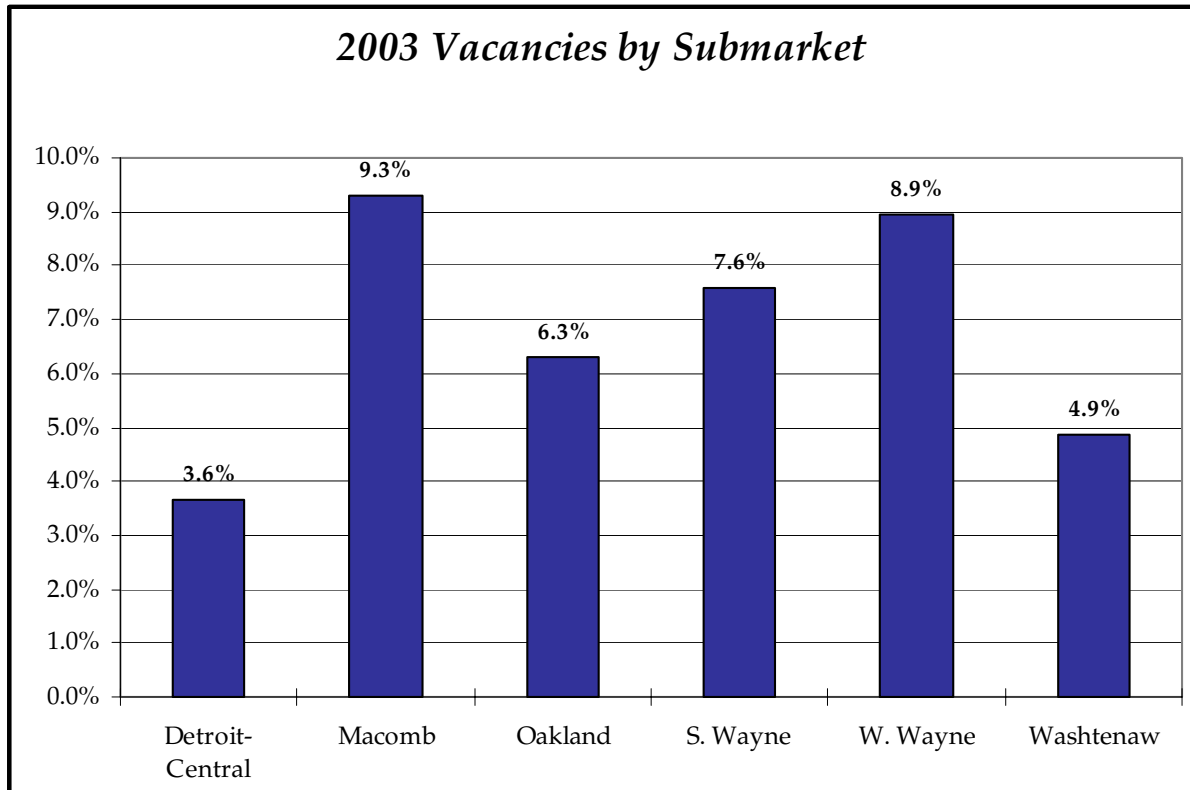
The chart below summarizes all known new construction of apartments throughout metro Detroit in 2002.

SUMMARY OF NEW APARTMENT CONSTRUCTION IN 2002

<i>Property Name</i>	<i>Location</i>	<i>2002 Units</i>	<i>Total Planned</i>	<i>Comments</i>
Westlake	Van Buren Twp.	52	510	322 units completed to date
Pendleton Park	Lyon Township	100	240	Construction completed in 2002
The Harbours	Clinton Twp.	42	2,388	1,476 units completed to date
Northport	Macomb Twp.	170	516	Construction completed in 2002
Lincoln at Fairlane	Dearborn	80	200	Construction completed in 2002
Turnbury Park	Canton Twp.	161	161	100 percent complete in 2002
Brandywine	W. Bloomfield	121	121	Construction completed in 2002
Lake Village II	Ann Arbor	120	120	Construction completed in 2002
Central Park Estates	Novi	320	320	Construction completed in 2002
<i>Total Units Added in 2002</i>		<i>1,166</i>		

Physical vacancies continue to rise. Market-wide vacancies are just under seven percent for 2003, having increased 1.2 percent since the 2002 survey. The Macomb and Western Wayne submarkets show the largest spikes between 2002 and 2003, with both showing vacancies around nine percent (the increase in the Macomb submarket is partially attributable to having increased the participating units for the 2003 survey). The Oakland submarket is the only submarket that

managed to drop its vacancies between 2002 and 2003, having dropped to 6.6 percent from 8.1 percent. However, it is recognized that some of the largest rent concessions are being offered in the Oakland submarket, so the drop in physical vacancies is more or less a trade-off.



Washtenaw County continues to successfully weather the economic downturn. Physical vacancies increased only 50 basis points between 2002 and 2003 and remain below five percent. Nonetheless, even this stable submarket is feeling the effects of the softening market, as low physical vacancies are being maintained at the expense of face rents, which have been more or less flat to declining over the last year.

Although the Detroit submarket shows a 2.8 percent increase in physical vacancies, it still remains well below five percent. With substantial multifamily demolition between 1995 and 2000, the result is a significantly reduced inventory and there are fewer options available for Detroit renters. This bodes well for well maintained, professionally managed properties in the city.

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