

Balanced Construction Activity

1,363 multi-family permits issued through October 1999 in Salt Lake County

Our prediction

Municipalities will begin to become more sensitive to affordable housing requirements. Municipal entitlements, combined with supply and demand, will control the timing of development. With the current tempering of growth in the local economy and fewer new move-ins, the posture of most developers and municipalities should help keep inventories in balance with market demand.

How many units in 2000?

There are 1,923 new units projected to begin construction during 2000. Historically, approximately 75% of proposed units ultimately get built which would result in about 1,450 new unit starts in 2000.

Land Values: Demand remains strong

Demand by both local and out-of-state developers for suitable development sites remains strong. Depending on location and entitlements, land values range between \$7,000 and \$14,000 per unit. The majority of sites that have been, and will continue to be available, are located in the growth corridors of the south and southwest sectors of the valley. In-fill sites are a rarity and generally sell for a premium and require demolition of existing structures.

Absorption Rate

SALT LAKE COUNTY	1998	1999
Completed New Construction	1,554	1,145
Vacancy Rate	6.8%	7.7%
Net Absorption	836	675
Overall Absorption Rate	2.0%	1.6%

Natural increase and Migration



Utah's rapid rate of population growth is primarily attributable to natural increase rather than in-migration. The rapid rate of natural increase occurs because of the state's young population (with a greater share of the population in childbearing years) in combination with a high fertility rate. A relatively low death rate and high life expectancy have also contributed to natural increase.

(Source: 2000 Economic Report to the Governor)

UTAH

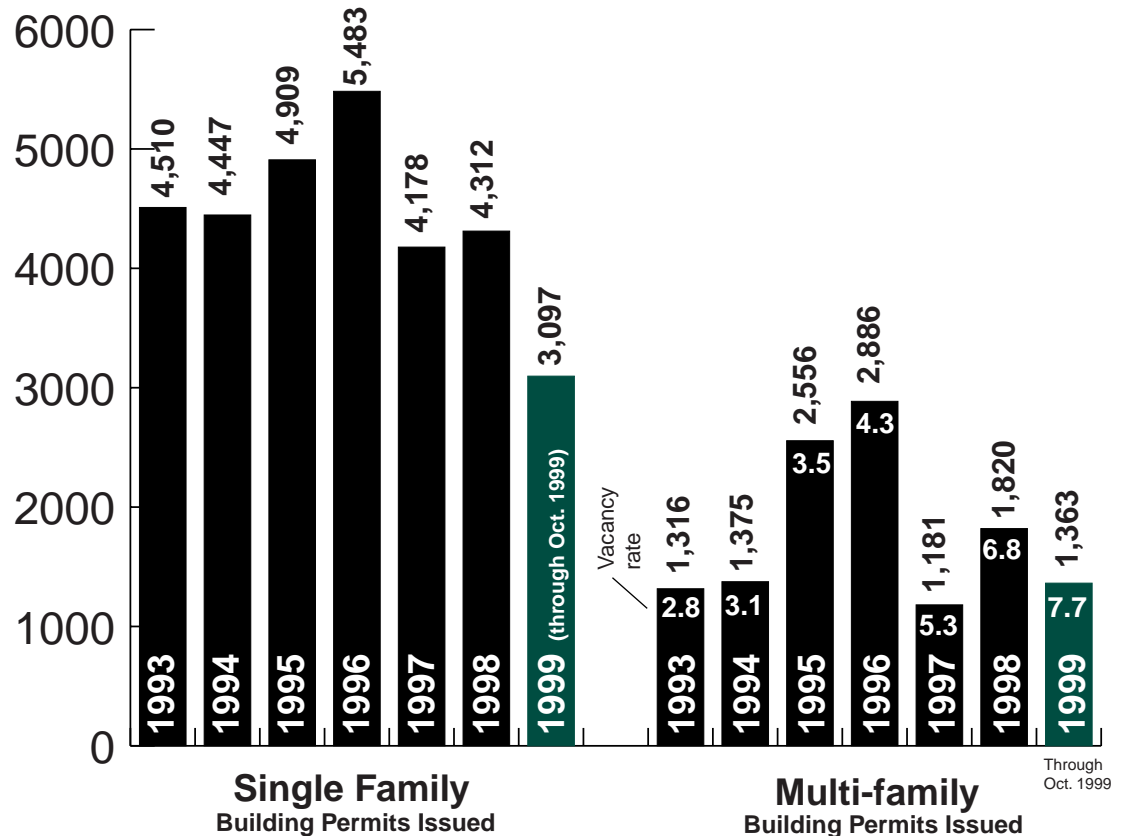
Olympic Housing Factor

Among those units planned for development in the next year, 840 will be part of the housing stock required to house the media and sponsors of the 2002 Winter Olympic Games. A company called Media Housing 2002 is working to oversee the development of housing units required to accommodate up to 3,500 media and sponsors for the Olympics. However, no one fully knows the exact impact the Olympics will have on housing.

Permits Issued vs. Vacancy

Salt Lake County through October 1999

(Permit source: Bureau of Economic and Business Research)



▲ Completed 1999 Construction (Please refer to the map)

Map	MLS	Project Name	Units	Class	Address/Location	Location	Developer
1	102	Palladio	149	B	320 South 200 West, SLC	West	Overland Development
2	108	Archstone River Oaks	448	B	9425 S. Riverside, Sandy	West	Archstone Communities
3	109	Cascade Springs	208	B	2802 West 8600 South, WJordan	West	Triton Investments
4	109	River Oaks Apts.	180	B	1075 West 9035 South, SLC	West	Overland Development
5	109	Willow Cove Apts. V	120	B	9300 S. Redwood, SLC	West	D&H Development
6	110	Westland Cove	40	B	2600 West 3450 South, WVC	West	Prowswood
TOTAL.....			1,145				

■ Under Construction (Please refer to the map)

Map	MLS	Project Name	Units	Class	Address/Location	Location	Developer	Project Status
7	102	Holden Apartments	16	B	854 South 200 West, SLC	West	Gary Nordhoff	March 2000
8	103	Presidential Club	76	A	3075 East Kennedy, SLC	East	Larry H. Miller	November 2000
9	105	Hill Rise Apartments	24	B	2385 East 6895 South, SLC	East	Hill Rise UBO	January 2000
10	105	Sandpiper Apts.	30	B	1492 Spring Lane, Holladay	East	O'Brien Enterprises	Early 2000
11	109	Ridge at Jordan I	264	*B	3800 West 7000 South, WJordan	West	Prowswood	Fall 2000
5	109	Willow Cove Apts. VI	128	B	9300 South Redwood, WJordan	West	D&H Development	Under construction
12	110	Carrington Square II	96	B	5959 South Cougar Lane, Kearns	West	Bach Development	Spring 2000
13	110	Elk Run	170	B	3610 South 8400 West, Magna	West	Pentalon Corp.	Spring 2000
14	110	Heritage Apartments	80	B	8177 West 3500 South, Magna	West	American Housing	May 2000
15	111	Glendale Senior Apts.	40	B	1239 South Glendale Drive, SLC	West	Utah Nonprofit House.	September 2000
TOTAL			924		* Tax Credit Units			

● Proposed 2000 Construction (Please refer to the map)

Map	MLS	Project Name	Units	Class	Address/Location	Location	Developer	Scheduled to begin
17	102	Bridge Apartments	71	B	200 South 500 West, SLC	West	Artspace, Inc.	March 2000
18	102	Cambridge Apts.	201	B (OH)	North of Gateway Project, SLC	West	Prowswood	Summer 2000
19	102	City Front Apartments	167	*B (OH)	641 West North Temple, SLC	West	Prowswood	June 2000
20	102	Jefferson School Apts.	115	*B	1075 South West Temple, SLC	West	SLC Housing Auth.	Summer 2000
21	102	Northgate Apartments	349	B (OH)	500 West South Temple, SLC	West	Prowswood	August 2000
22	102	Winthrop Court	100	A	600 East 300 South, SLC	East	Not determined	Summer 2000
9	105	Hill Rise Apartments	60	B	2385 East 6895 South, SLC	East	Hill Rise UBO	January 2000
23	108	Allegro Corner Can.	258	B	13300 S. Pony Express, Draper	West	SNK Development	Spring 2000
24	109	Not Determined	200	B	12600 S. 4800 West, Riverton	West	Not determined	Fall 2000
11	109	Ridge at Jordan II	288	B	7300 South @ Bangeter, WJordan	West	Miller-Shupe	1st Qtr. 2000
25	109	Riverside Apartments	88	B	1875 West 12600 South, Riverton	West	Bach Development	Spring 2000
26	110	Not determined	26	B	1596 West 3395 South, WValley	West	Utah Nonprofit House.	March 2000
TOTAL			1,923		(OH) = Olympic Housing * Tax Credit Units			

Construction Summary

Units under construction

Class A Units	76
Class B Units	848
Total	924

East/West under construction

East Side Units	130
West Side Units	794
Total	924

Proposed units for 2000

Class A Units	100
Class B Units	1,823
Total	1,923



Long-Term Population Projections

Utah's population surpassed 2.12 million in 1999 and is expected to reach 3.68 million by the year 2030. This is about 1.6 million more people or a 74% increase. This rate of population growth, which exceeds that of the nation, will be sustained by a rapid rate of natural increase and a strong and diversified economy. The state's employment

growth rate is also expected to be more rapid than that of the nation. The most rapid rates of population growth are expected in southwestern Utah (Washington, Iron, and Kane Counties), the Wasatch Back (Summit and Wasatch Counties), and Tooele and Utah Counties.

(Source: 2000 Economic Report to the Governor)

Acquisition demand continues

Product availability will determine volume

Cap rates

Of 23 multi-family properties sold in Salt Lake County, 10 were projects of 100 units or more. **The average CAP rate for these properties was 9.1%.** Current typical cap rates for class A-quality properties are 8.5 to 9%. Typical cap rates for class B

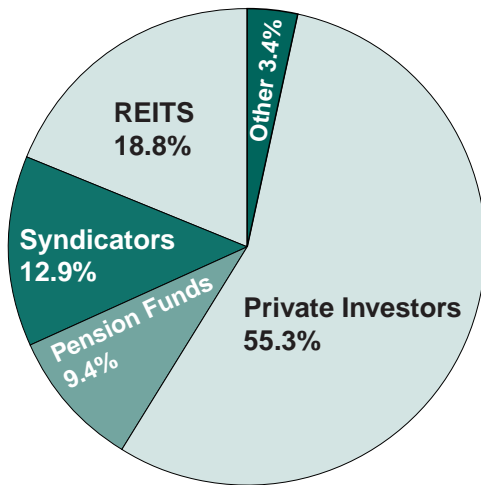
properties are 9 to 9.5% while cap rates for class C properties are 9.5 to 10.5%. It should be noted that during 1999, cap rates were higher than traditional historical rates due to 1999 sales that were noticeably older and of lesser quality than in prior years.

1031 exchanges

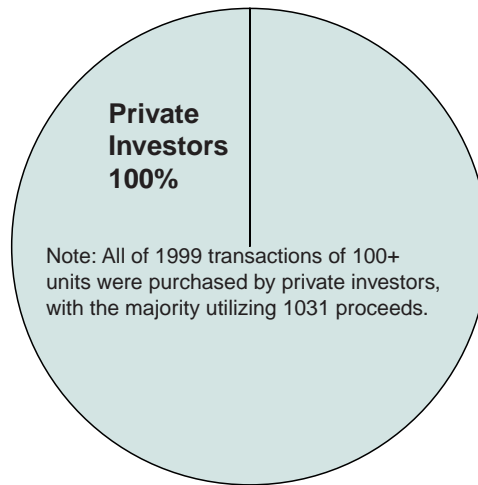
1031 exchanges continue as an attractive capital source for the purchase of available apartment properties. Despite the current market slowdown, solid long-term stability keeps investors interested in the Salt Lake market.

Wasatch Front Buyer Profile

100+ units or larger



1990-1999



1999

Note: All of 1999 transactions of 100+ units were purchased by private investors, with the majority utilizing 1031 proceeds.



Household Size

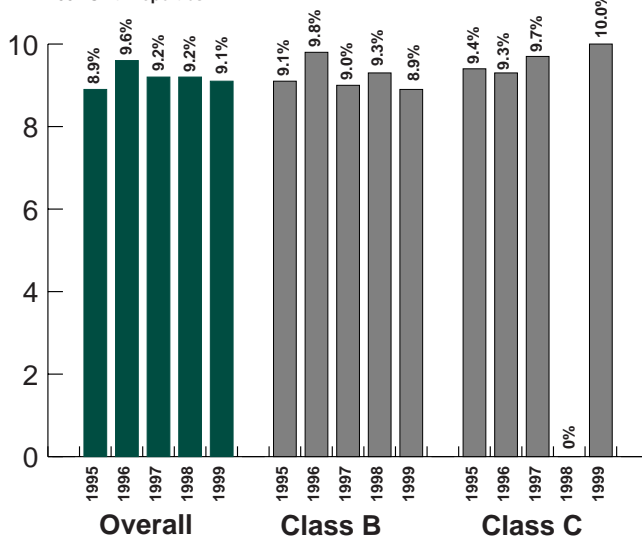
The average household size in Utah (3.06 in 1998) is the highest in the nation, and ranks far higher than the national average of 2.61 persons per household. And, according to the 1990 Census, 64.8% of Utah households are comprised of married-couple families (which ranks Utah first in the nation). Utah also has the lowest ranking in the nation for the percent of families with children headed by a single parent. Married couples, who combine two or more incomes, help raise median-household incomes in Utah.

(Source: 2000 Economic Report to the Governor)

SALES OF 100+ UNIT PROPERTIES

Average Cap Rate

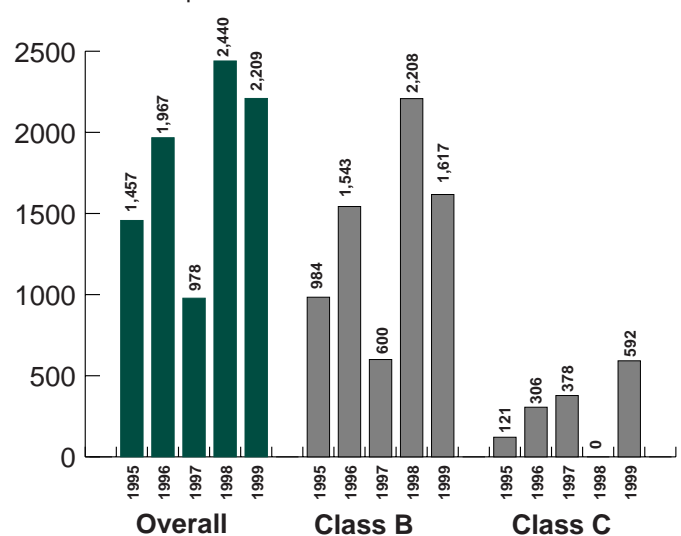
100+ Unit Properties



NOTE: All cap rates are calculated on NOI before reserves.

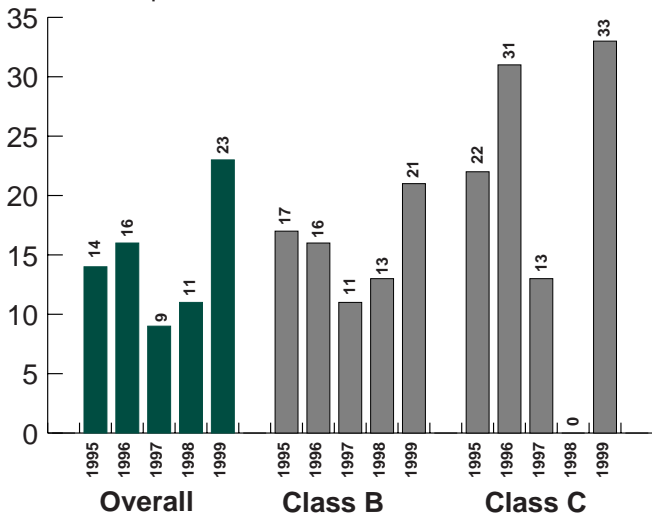
Number of Units Sold

100+ Unit Properties



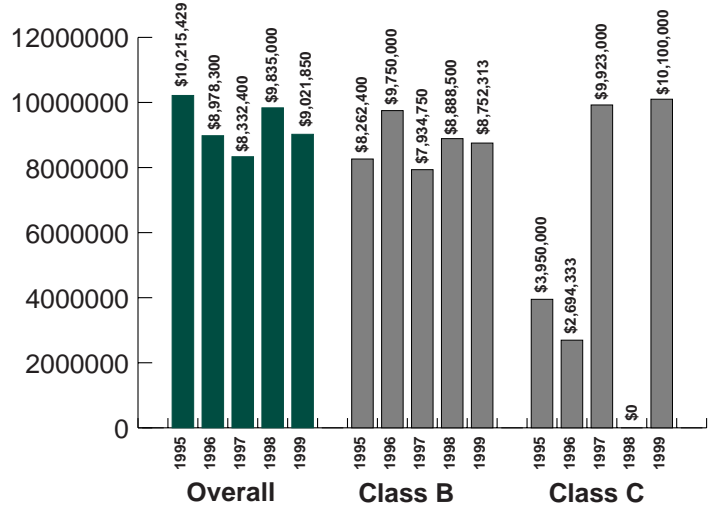
Average Property Age

100+ Unit Properties



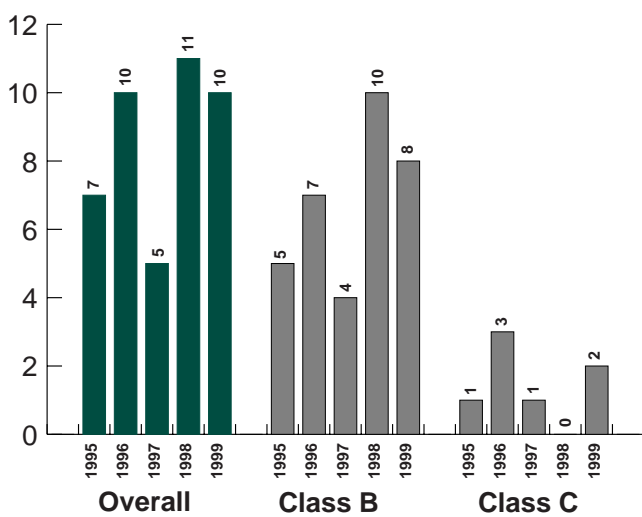
Average Price Per Property

100+ Unit Properties



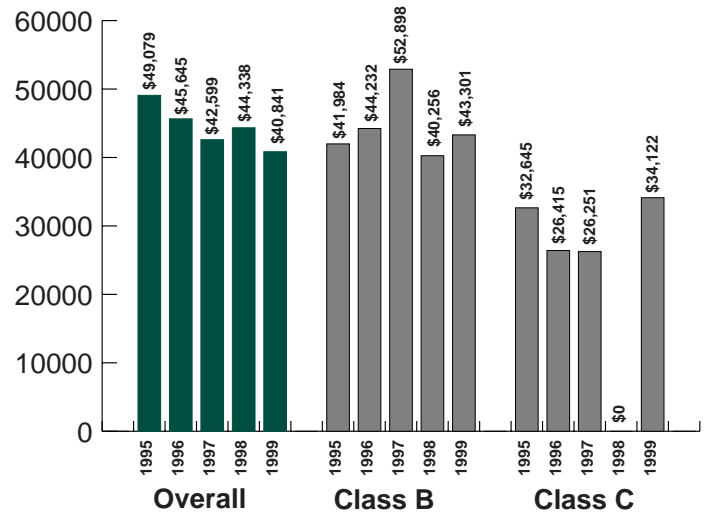
Number of Properties Sold

100+ Unit Properties



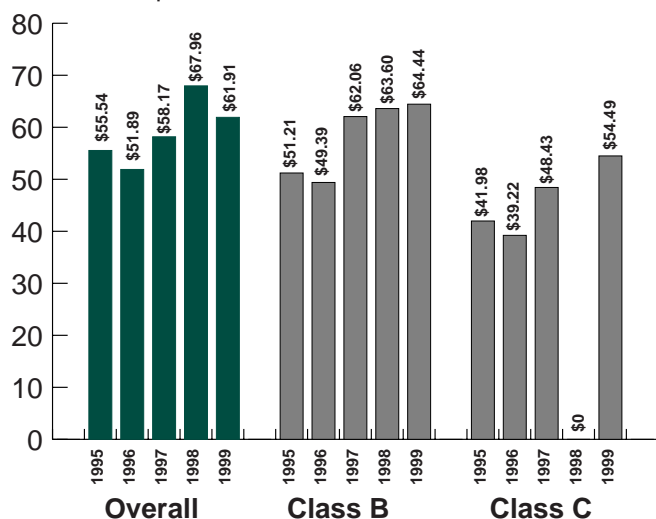
Average Price Per Unit

100+ Unit Properties



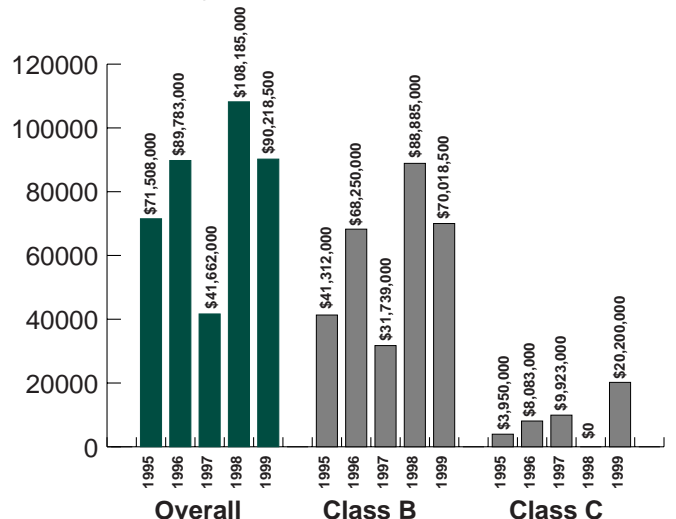
Average Price/Square Foot

100+ Unit Properties



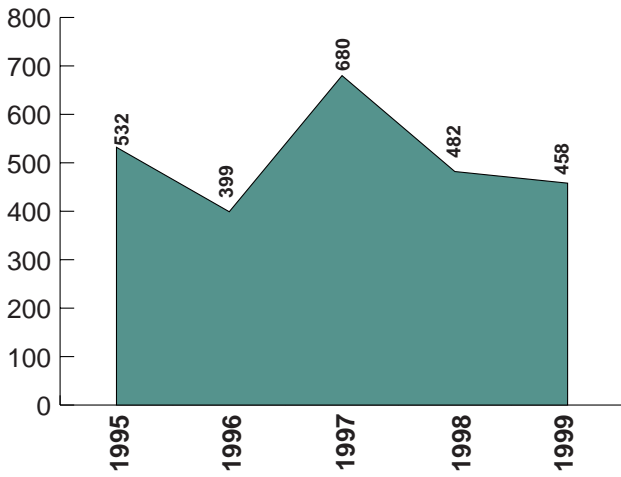
Total Sales Volume

100+ Unit Properties

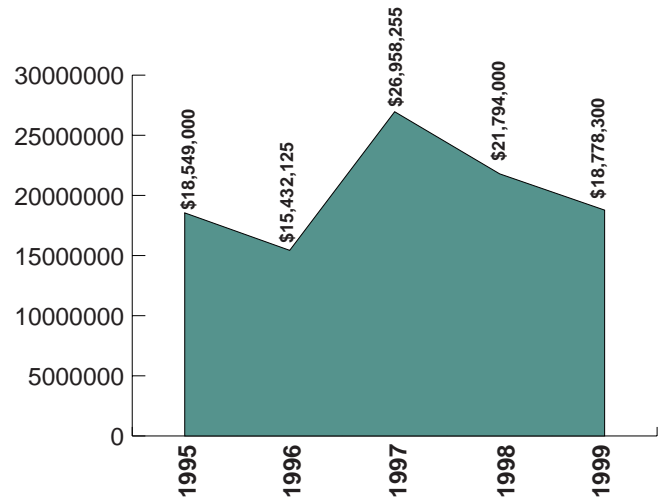


SALES OF 15-99 UNIT PROPERTIES

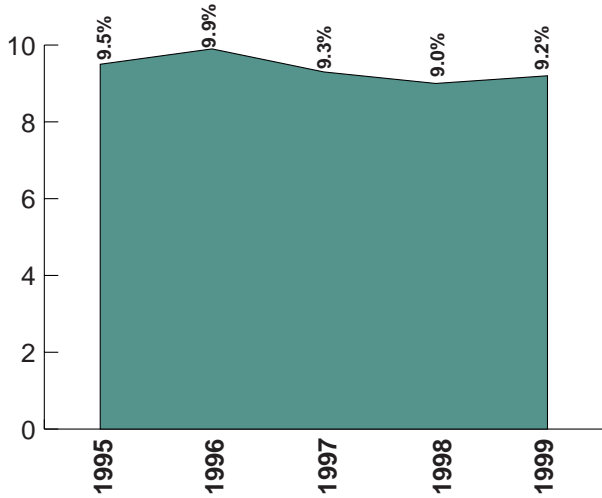
Number of Units Sold



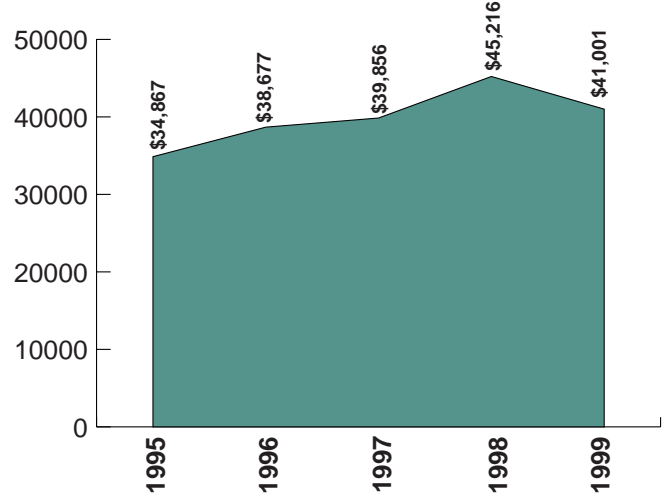
Total Sales Volume



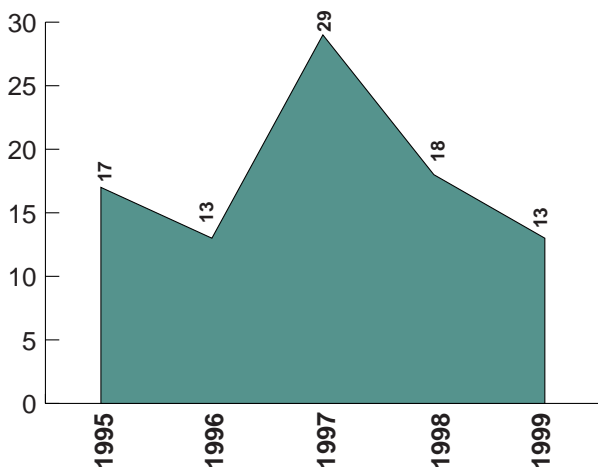
Average Cap Rate



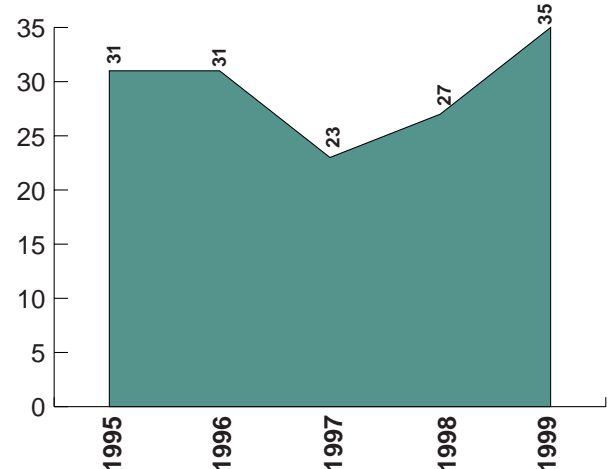
Average Price Per Unit



Number Properties Sold

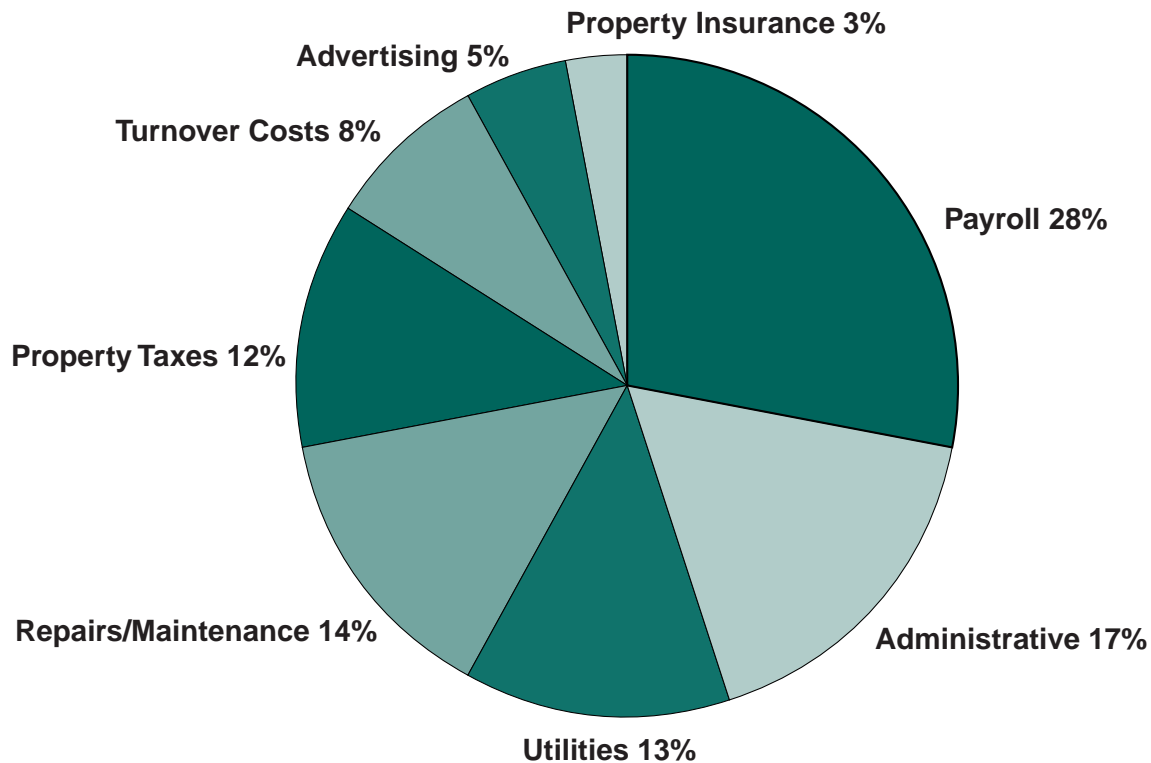


Avg. Number of Unit/Sale



Operating Expenses

1999 Greater Salt Lake Area Multi-family Operating Expenses for Properties of 50 Units or Larger



Expense Summary

Expense	% of Total		Per Square Foot		Per Unit	
	1999	1998	1999	1998	1999	1998
Payroll Costs	28%	27%	86¢	86¢	\$717	\$706
Administrative Costs	17%	17%	54¢	52¢	\$451	\$432
Utilities	13%	13%	40¢	41¢	\$331	\$337
Repairs & Maintenance	14%	15%	44¢	46¢	\$367	\$381
Property Taxes	12%	12%	39¢	39¢	\$321	\$320
Turnover Costs	8%	9%	25¢	27¢	\$204	\$220
Advertising	5%	4%	14¢	12¢	\$117	\$ 98
Property Insurance Costs	3%	4%	11¢	11¢	\$ 89	\$ 93
TOTAL	100%	100%	\$3.13	\$3.13	\$2,596	\$2,588

The overall increase in operating expenses from 1998 levels was minimal due in part to fewer dollars spent on repairs and maintenance as a result of plateaued rents, and the current emerging trend of owners passing through utility costs to residents via sub-metering systems on larger properties. **Operating reserves are not included in the numbers shown above.**

Salt Lake is still the right place

The Salt Lake economy is projected to remain strong and competitive in the future. Despite moderate projected increases in vacancy rates and minimal rent growth during 2000, Salt Lake is likely to remain a preferred city for multifamily developers and investors who recognize the diversified and stable long-term economic characteristics of the Wasatch Front, especially when compared to many other major U.S. cities.

For more information



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