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Fisher Center for Real Estate and Urban Economics, UC Berkeley
The St. Francis Hotel
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**RREEF Research: A Review of an Apartment-Weighted
Investment Strategy**

April 14, 2009

Presented by:

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Why Invest in Apartments?

- ❑ **Returns and Performance Relative to Other Sectors and S&P 500**
- ❑ **Broad Spectrum of Investment Opportunities and Strategies**
- ❑ **Demographics**
- ❑ **Compelling Supply and Demand Fundamentals**



RREEF Alternative Investments

Real Estate

Infrastructure

Private Equity

Returns and Performance

Past Cycles

<i>1990's</i>	<i>Total</i>	<i>Apartments</i>	<i>Industrial</i>	<i>Office</i>	<i>Retail</i>
Appreciation	-32.3%	-16.7%	-33.7%	-50.2%	-26.4%
No. of Quarters	23	14	19	38	27
Dates	90.1 - 95.4	90.2 - 93.3	89.4 - 94.3	87.4 - 95.4	90.3 - 97.2

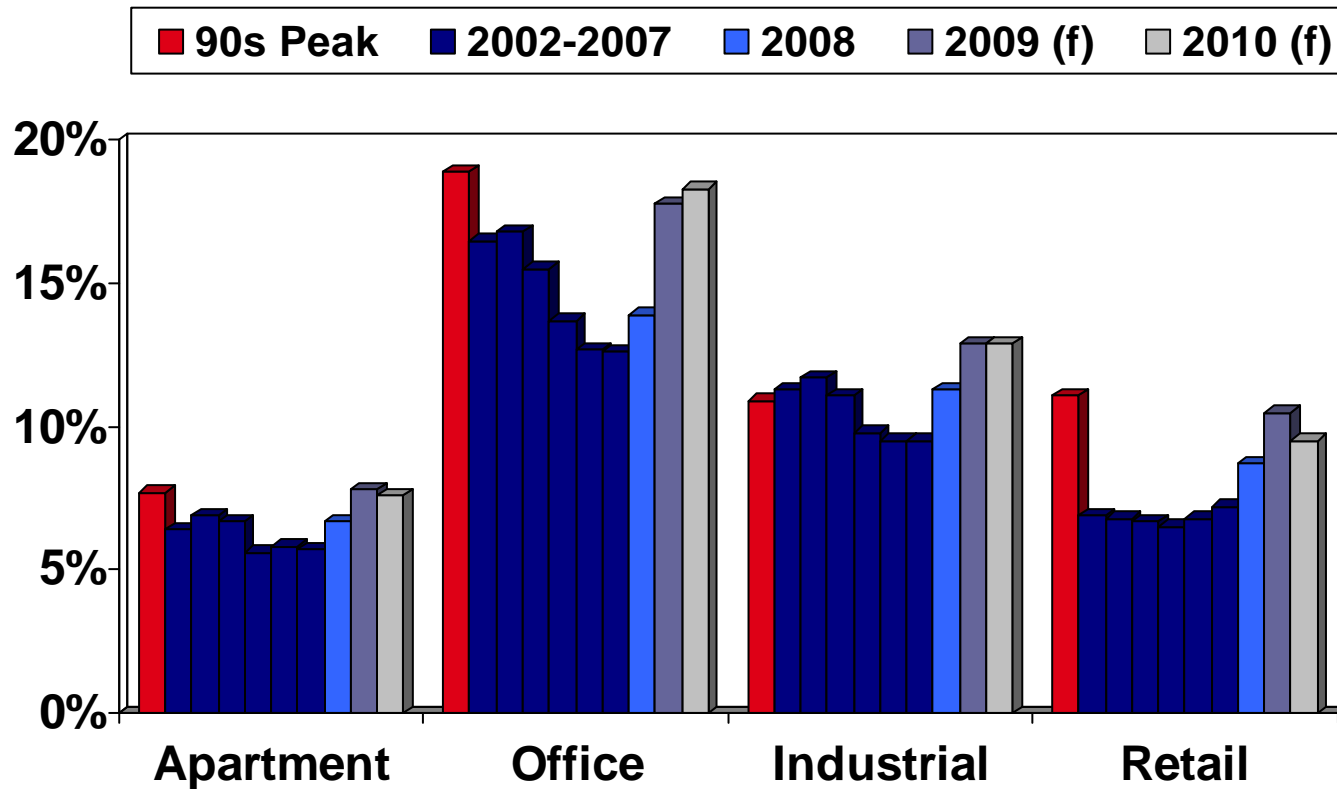
<i>2000's</i>	<i>Total</i>	<i>Apartments</i>	<i>Industrial</i>	<i>Office</i>	<i>Retail</i>
Appreciation	-3.5%	-0.3%	-3.7%	-10.5%	-2.5%
No. of Quarters	6	1	7	9	6
Dates	01.3 - 03.1	01.4	01.3 - 03.2	01.3 - 03.4	00.3 - 02.1

<i>Late-2000's</i>	<i>Total</i>	<i>Apartments</i>	<i>Industrial</i>	<i>Office</i>	<i>Retail</i>
Appreciation	-11.5%	-11.5%	-11.1%	12.4%	-9.5%
No. of Quarters	3	3	3	3	3
Dates	08.2 - 08.4	08.2 - 08.4	08.2 - 08.4	08.2 - 08.4	08.2 - 08.4

Source: NCREIF
As of December 31, 2008



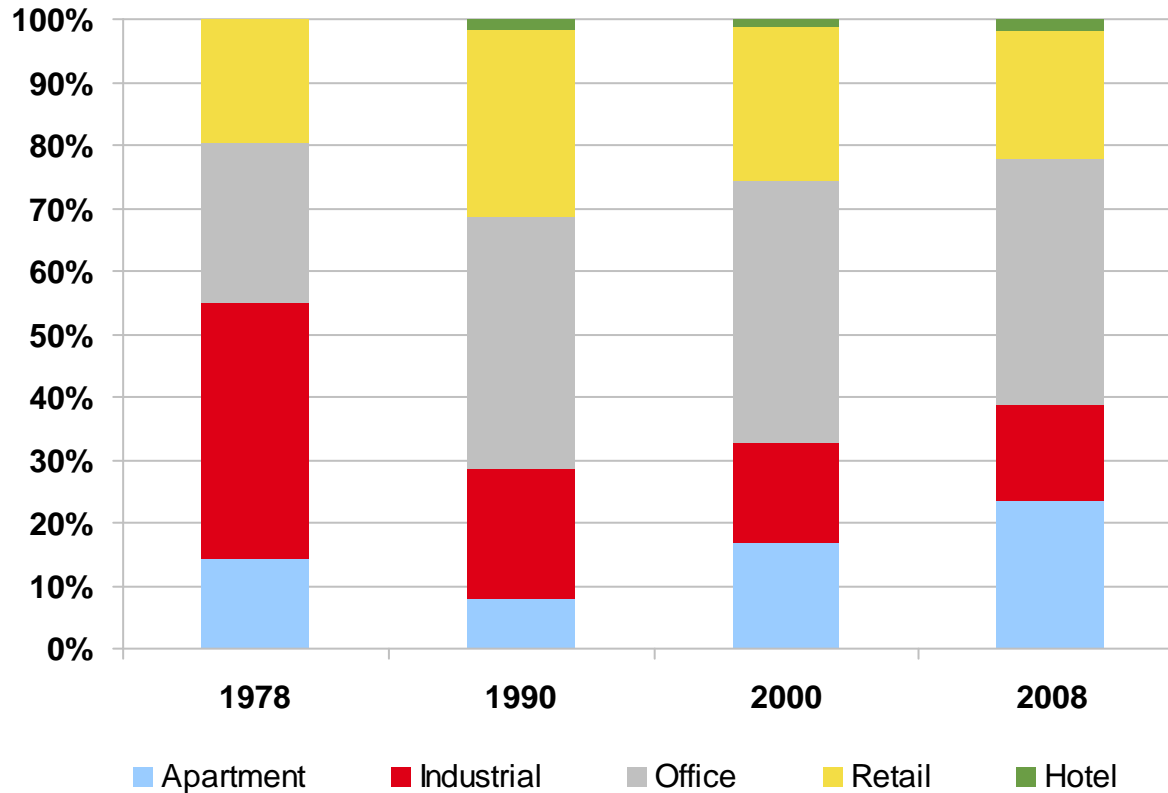
Commercial Real Estate Vacancies Rise as Job Losses Mount



Source: Reis, Torto Wheaton, Marcus & Millichap, RREEF Research



Sector Changes: Out of Industrial, into Apartments and Office



Source: NCREIF
As of December 31, 2008





RREEF Alternative Investments

Real Estate

Infrastructure

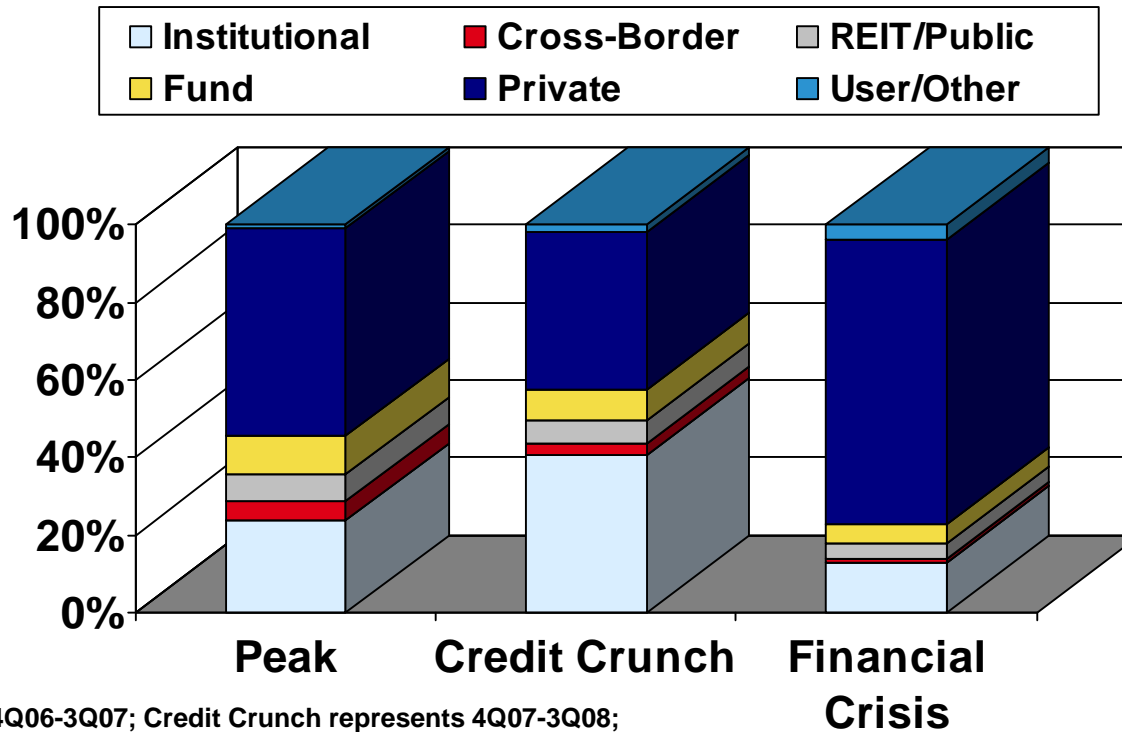
Private Equity

Broad Spectrum of Investment Opportunities and Strategies

Broad Spectrum of Investment Opportunities and Strategies

- ❑ **Various, and often lower price points for market entry**
- ❑ **Breadth and diversity of buyers can offer greater liquidity**
- ❑ **Resilience in economic downturns**
- ❑ **Strategy selection relative to market, e.g., urban v suburban, Class A vs. B, core vs. value add, mixed-use, transit oriented development**

Breadth and Diversity of Buyers



Note: Peak represents 4Q06-3Q07; Credit Crunch represents 4Q07-3Q08; Financial Crisis represents 4Q08-Jan 09

Source: Real Capital Analytics and RREEF Research



RREEF Alternative Investments

Real Estate

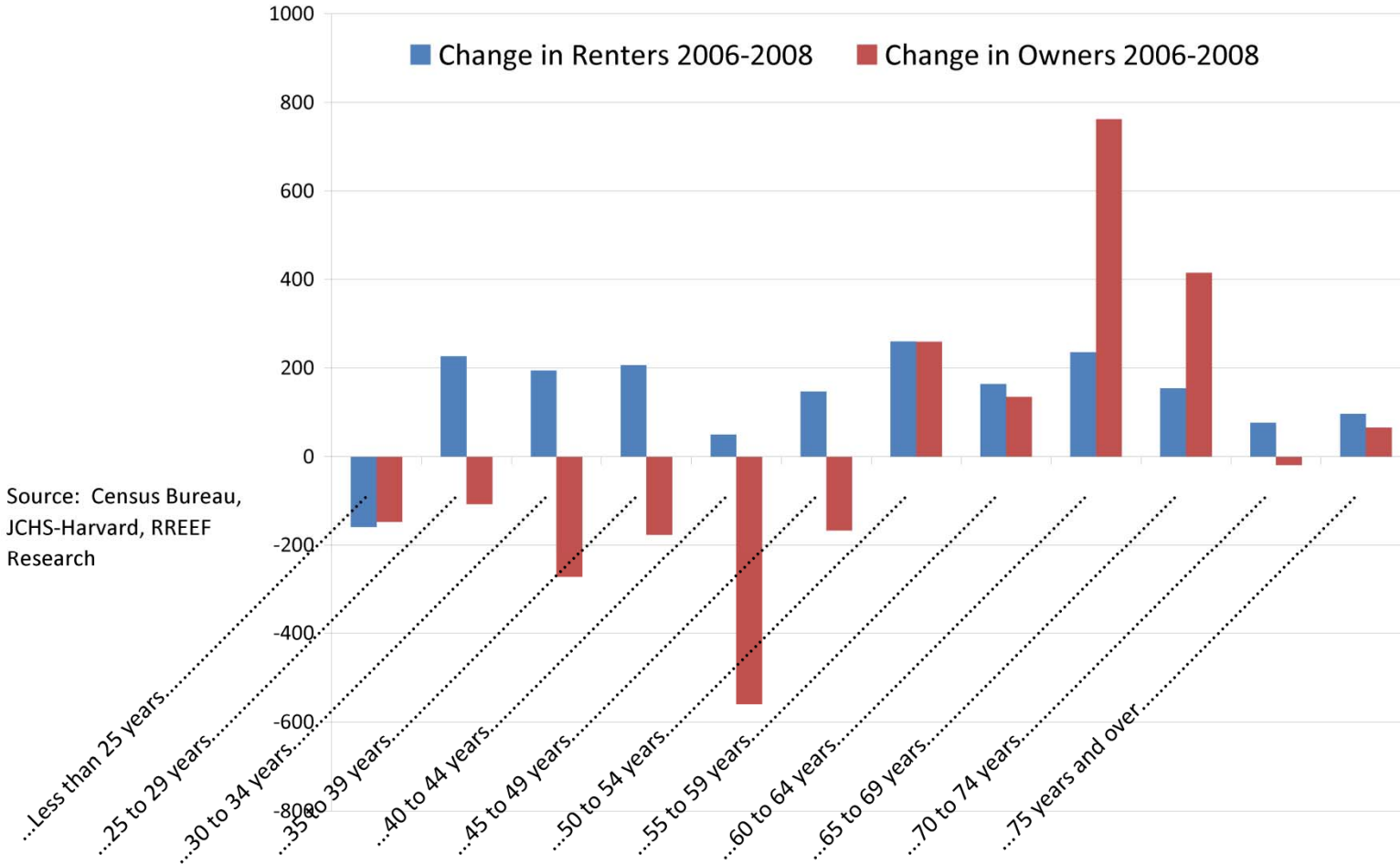
Infrastructure

Private Equity

Demographic Trends

Change in Renter Household

Change in Household Tenure

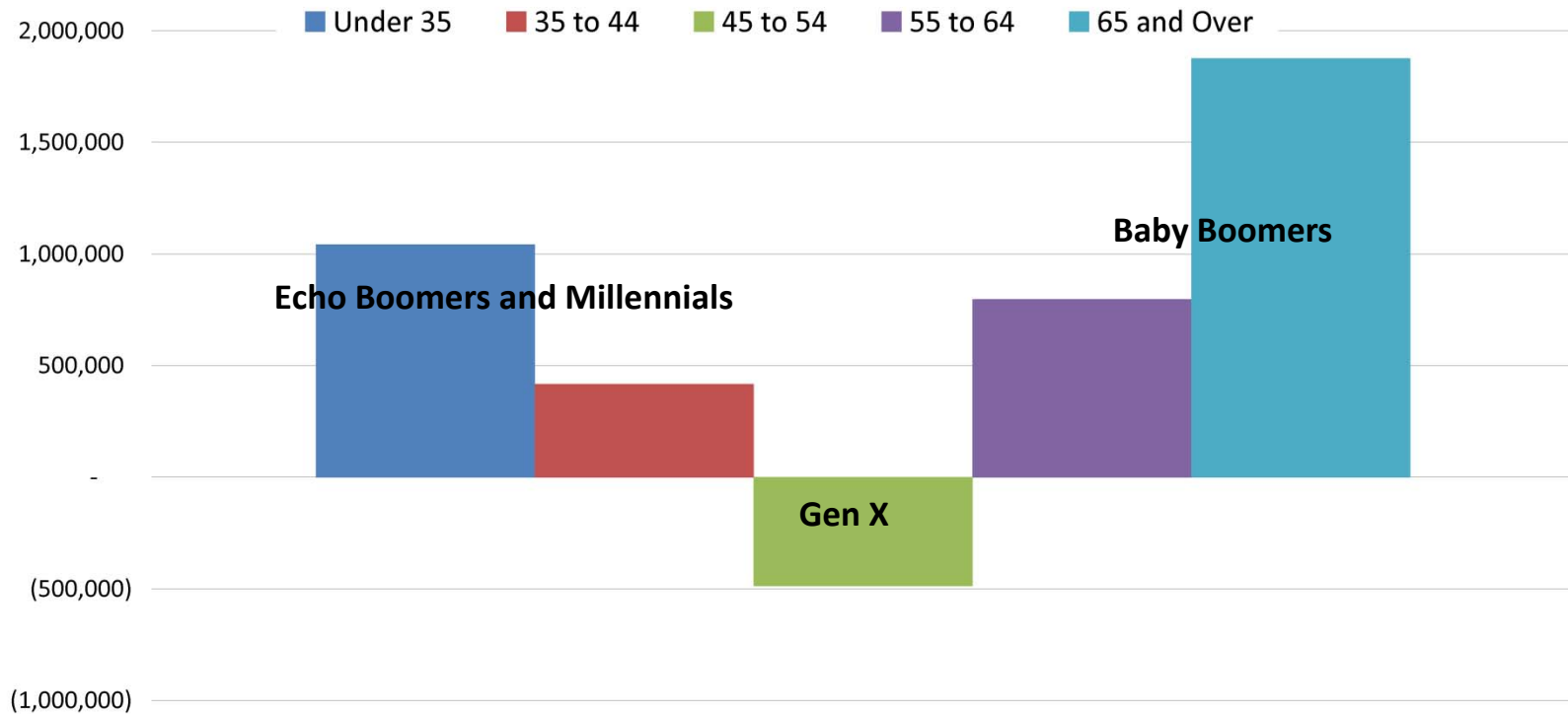


Source: Census Bureau, JCHS-Harvard, RREEF Research



Projected Rental Demand

Projected Rental Demand by Age Cohort
2010-2020



Source: Census Bureau, JCHS-Harvard, RREEF Research





RREEF Alternative Investments

Real Estate

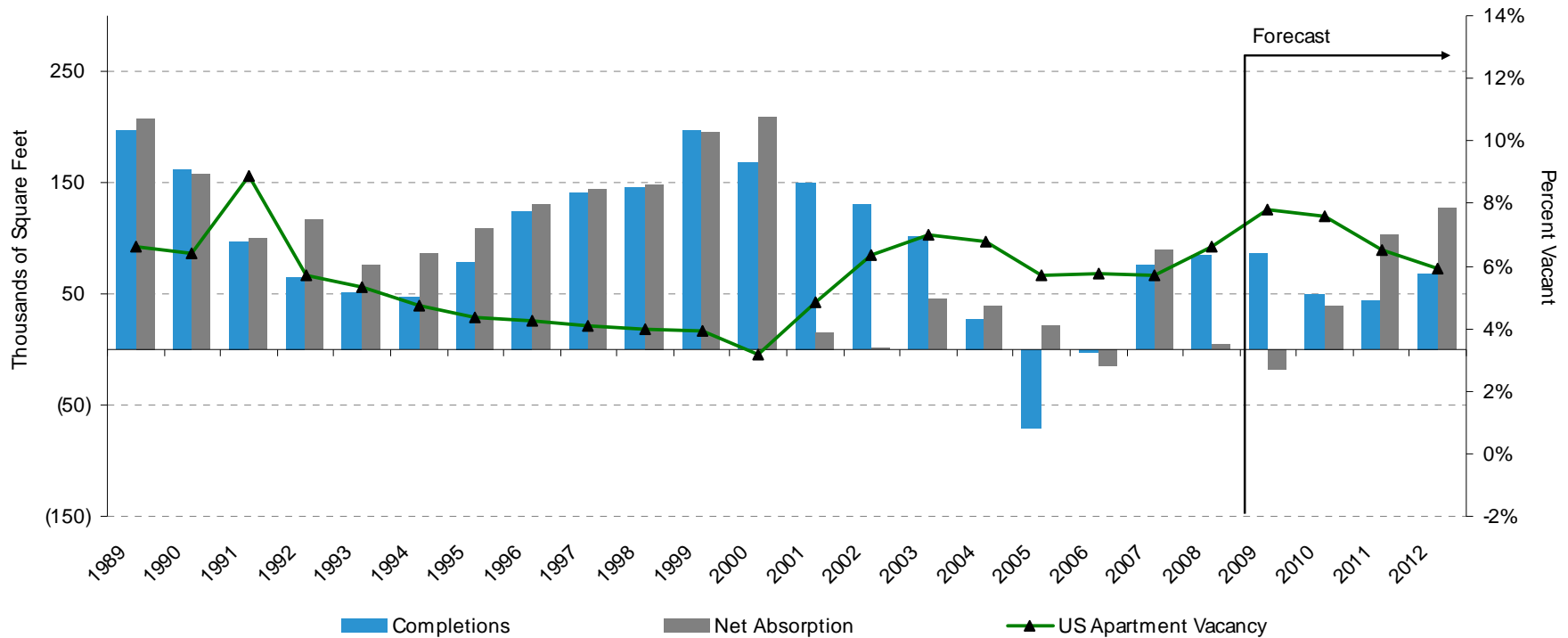
Infrastructure

Private Equity

Apartment Fundamentals

U.S. Apartment Supply and Demand: 1989 - 2012

Vacancy rate peak similar to 1991

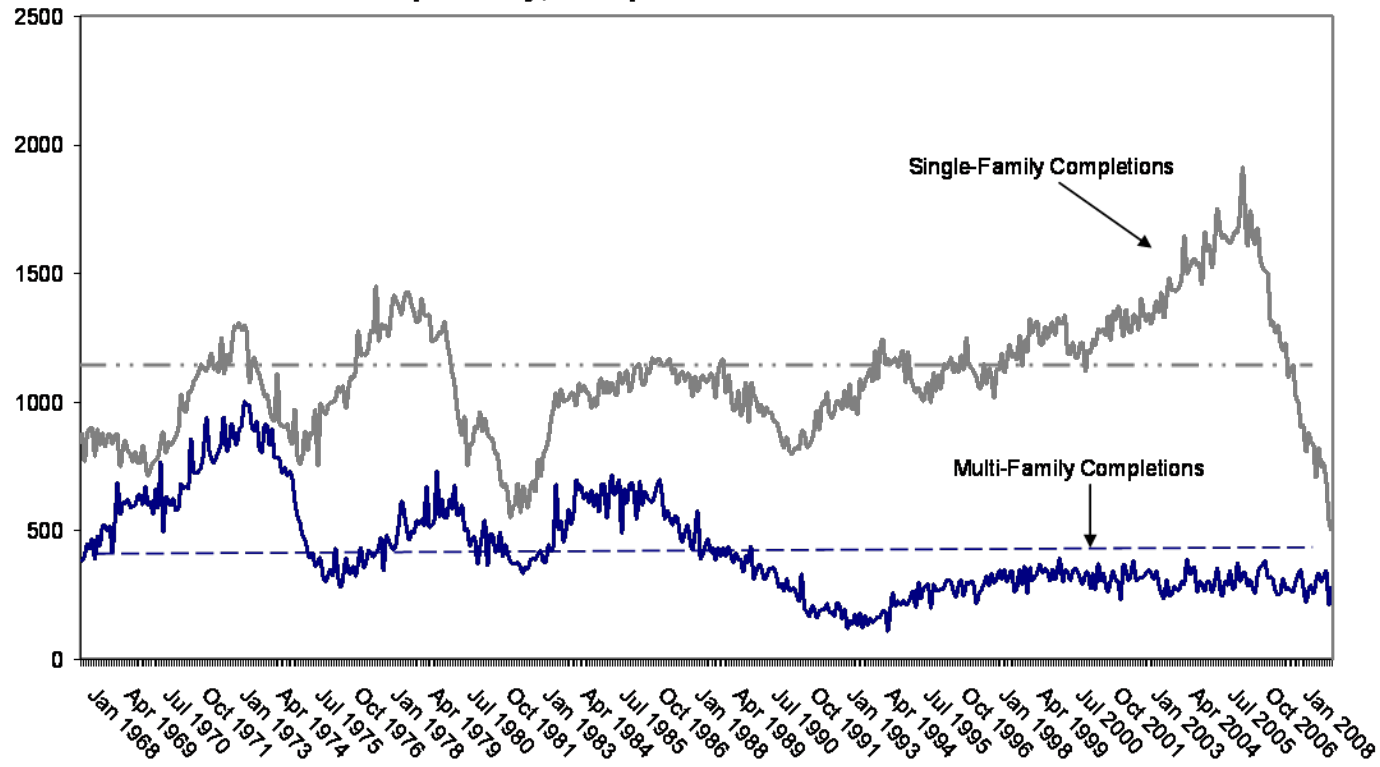


Source: RREEF Research, REIS.
As of February 2009.



US Housing Completions

US Housing Completions Have Dropped Well Below Trend
Jan 1968 - Feb 2009 (Monthly, 000s)



Source: Census Bureau, Economy.com, RREEF Research

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