

Head-to-Head Performance Comparison: NOI Capital Partners' Houston Assets versus the Competition

For the third quarter of 2010, NOI Capital Partners ("NOI") is pleased to report even better results for its managed multifamily assets in Houston. We lead direct competitors by 4% in occupancy and \$11 in rent, thereby yielding \$38 more in monthly revenue per unit. *Most importantly, our year-on-year net operating incomes rose 13.2%.* NOI is the management company of choice for owners who demand superior performance from their multifamily properties.

Occupancy, but Not Rents, Show Improvement in Houston. Compared to a year ago, average occupancy increased by 2.0% citywide, and by 3.1% in submarkets where NOI manages assets. However, rents were almost unchanged for greater Houston, and in NOI's submarkets, fell by a penny and a half per square foot. The following table highlights these changes:

<i>Houston Citywide Rental Market</i>	Nov. 2009	Nov. 2010	Difference
Average Occupancy	85.4%	87.4%	+ 2.0%
Average Net Effective Rent per SF	\$ 0.857	\$ 0.860	\$ 0.003

<i>NOI's Houston Submarkets</i>	Nov. 2009	Nov. 2010	Difference
Average Occupancy	81.3%	84.4%	+ 3.1%
Average Net Effective Rent per SF	\$ 0.831	\$ 0.817	-\$ 0.014

NOI Has Outperformed. NOI's Houston assets continue to outperform their direct competitors by a large margin.

Better Current Performance. In November 2010, NOI's managed assets in Houston were outperforming as to rents and occupancy. On a weighted-average ("Average") basis, our monthly net effective rent was \$11 dollars higher for a unit that is 17 square feet smaller. Our Average occupancy rate was 95.0% vs. the competition's 91.4%. The chart below displays the comparison:

Head-to-Head Comparison

(All Weighted Averages; Competition Averages Adjusted to Our Unit Mix)

	NOI-Managed Assets in Houston	Directly Competing Houston Assets	Difference
Relative Quality Rating *	100.0%	99.5%	+ 0.5%
Average Unit Size	787	804	- 17
Net Effective Rent	\$ 747	\$ 736	+ \$ 11
Net Effective Rent per SF	\$ 0.95	\$ 0.91	+ \$ 0.03
Occupancy Level	95.0%	91.4%	+ 3.7%

* Overall asset quality, excluding unit size differences, translated to a monthly rent differential; our managed asset receives 100%; an asset of equal quality receives 100%; a slightly better (worse) asset receives 103.5% (96.5%); a somewhat better (worse) asset receives 107% (93%).

Greater Improvement in Performance over Time. Over the past year and a half, NOI's management has been dramatically more effective in defending our rents and maintaining high occupancy. The following table summarizes these results:

NOI's Superior Performance, 2009-10

<i>Directly Competing Houston Assets</i>	June 2009	Nov. 2010	Difference
Average Occupancy	90.0%	91.4%	+ 1.4%
Average Net Effective Rent per SF	\$ 0.979	\$ 0.915	- 6.4%

<i>NOI's Managed Houston Assets</i>	June 2009	Nov. 2010	Difference
Average Occupancy	89.0%	95.0%	+ 6.0%
Average Net Effective Rent per SF	\$ 0.963	\$ 0.949	- 1.4%

THE TOP LINE: NOI's Management Adds Incremental Revenue of \$38 per Unit per Month. As shown above, it's not hard to see that NOI's management is yielding better results than the competition—we collect a three-cent rent premium per square foot, while maintaining almost four percent higher occupancy. The incremental value added by NOI's management can be measured in dollars of revenue per unit per month.

Suppose that we were to offer our assets at the Average rents offered by our competitors. Further, suppose that the occupancy level of our assets matched the Average occupancy of our competitors. On those suppositions, our *hypothetical* monthly revenue would be \$672. At our *actual* rents and occupancy, our monthly revenue is \$710. The difference between \$710 and \$672—\$38 per unit per month—is an estimate of the value added by NOI's management. The table below shows the calculation:

Calculation of Value Added per Unit by NOI's Management

	NOI-Managed Assets in Houston	Directly Competing Houston Assets	Difference
Net Effective Rent	\$ 747	\$ 736	+ \$ 11
Unit Size Advantage in SF	N/A	+ 17	N/A
Rent Decrease to Equal NOI Asset Unit Size	N/A	- \$ 4	N/A
Overall Quality Disadvantage as %	N/A	- 0.5%	N/A
Rent Increase to Equal NOI Asset Quality	N/A	+ \$ 4	N/A
Expected Rent Revenue at 100% Occupancy	\$ 747	\$ 736	+ \$ 11
Actual Weighted-Average Occupancy	95.0%	91.4%	+ 3.7%
Expected Rent Revenue after Vacancy	\$ 710	\$ 672	+ \$ 38

On a 250-unit property, that amounts to additional yearly revenue of \$113,000. Conversely, \$113,000 is the annual revenue that an owner loses by *not* engaging NOI as property manager.

THE BOTTOM LINE: Our Assets' Profits Rose by 13.2%. In the long run, better management is better only if it generates higher profits. In year-on-year comparisons, NOI's managed assets did just that. The leverage of 3.5% higher rental income and 6.1% lower operating expense combined to increase Average net operating income by **13.2%**. The table below displays these improvements:

	Improvement
Total Income	+ 3.5%
Total Operating Expenses	- 6.1%
Net Operating Income	+ 13.2%

Conclusion. In terms of rental rates and occupancy levels, NOI's managed assets are significantly outperforming competing assets of equivalent quality. We estimate our net revenue advantage to be \$38 per unit per month, which amounts to *six-figures-plus annually* on a typical managed asset. Most importantly, we have lived up to our name and increased net operating income by 13.2%. NOI Capital Partners—there is a difference.