

**Apartment Properties, Inc.
and
Multi-Family Properties, Inc.**

A Strategic Merger

Presented by:

Lawrence A. Souza

Patricia Smith

REAL ESTATE INVESTMENT TRUST

INTRODUCTION

- **Method of Real Estate Ownership**
- **Can be Publicly Traded**
- **Tax-Free status conditioned upon**
 - **95% of “earnings” distributed to shareholders as dividends**
 - **Assets held for five years before selling**
- **Wall Street shift from geographic concentration to diversification**

CORPORATE STRATEGY

■ API GOALS

– Increase Shareholder Value

- Equity investments of \$2 billion
- Increase Funds From Operations (FFO) per share and FFO Multiple
- Grow company
 - Mergers and large institutional portfolio acquisitions
 - Single-asset acquisitions and developments

CORPORATE STRATEGY

■ **API STRATEGIC PLAN**

- **20,000 units under management**
- **Gross Book Value of \$2 billion**
- **Maintain Balance Sheet strength**
- **Focus on apartment communities:**
 - **Class A or B quality communities**
 - **Western regional focus (major metro areas)**
 - **Geographic and economic base diversification in the Western region**
 - **Achieve economies of scale in metro areas**

CORPORATE STRATEGY

- **API STRATEGIC PLAN**
 - **Strengthen and challenge the management team**
 - **Increase liquidity of stock**
 - **Balance risk and reward for the long-term benefit of shareholders**

CORPORATE STRATEGY

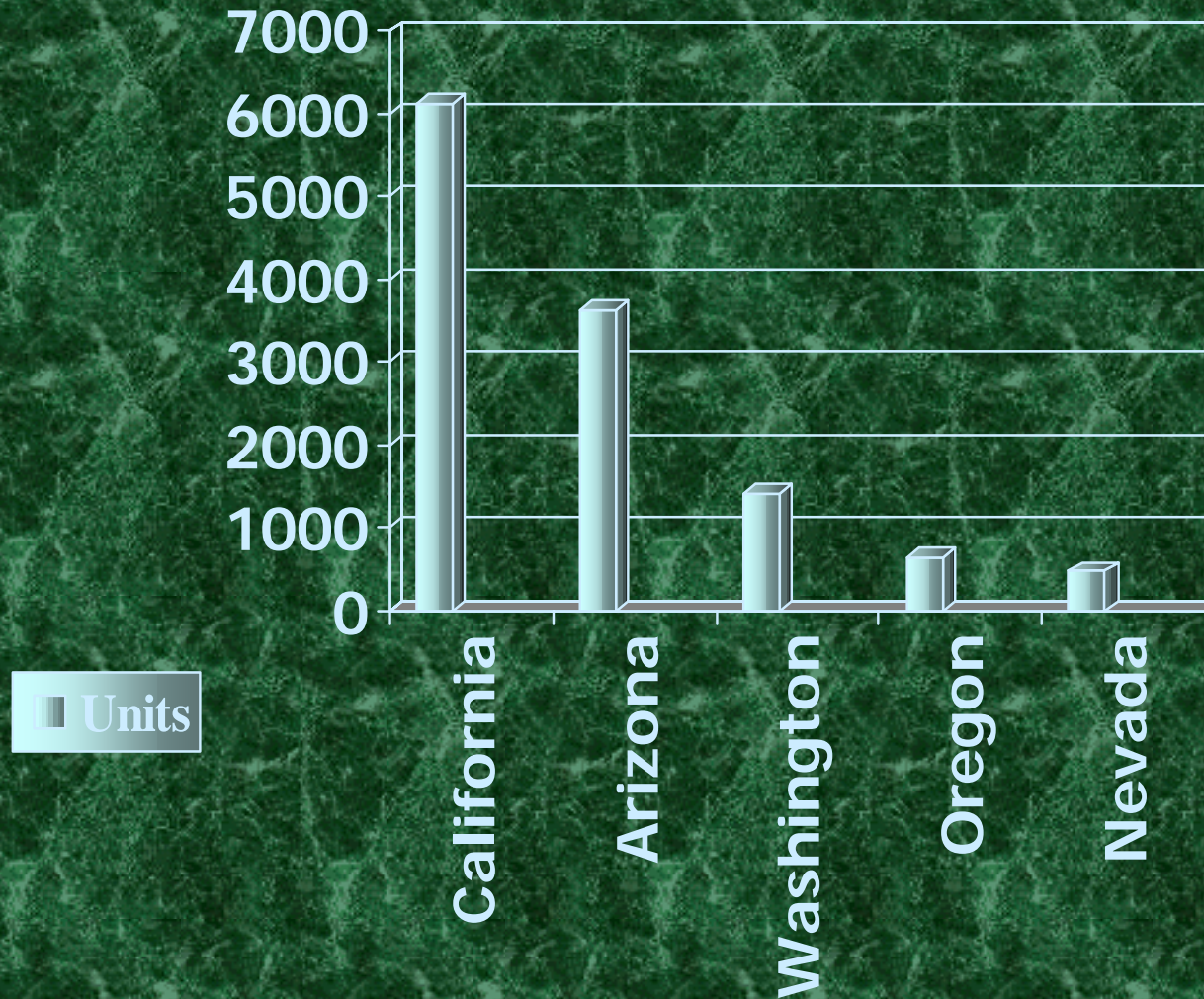
- **API ACQUISITION PLAN**
 - **Target companies with large institutional grade apartment portfolios**
 - **Look for companies diversified geographically**
 - **Take advantage of capital market cycles (low borrowing costs)**
 - **Take advantage of space market cycles (companies in oversupplied markets selling at deep discounts)**
 - **Move quickly and aggressively on potential acquisitions**

MERGER/ACQUISITION STRATEGY

■ **API IMPLEMENTATION PLAN**

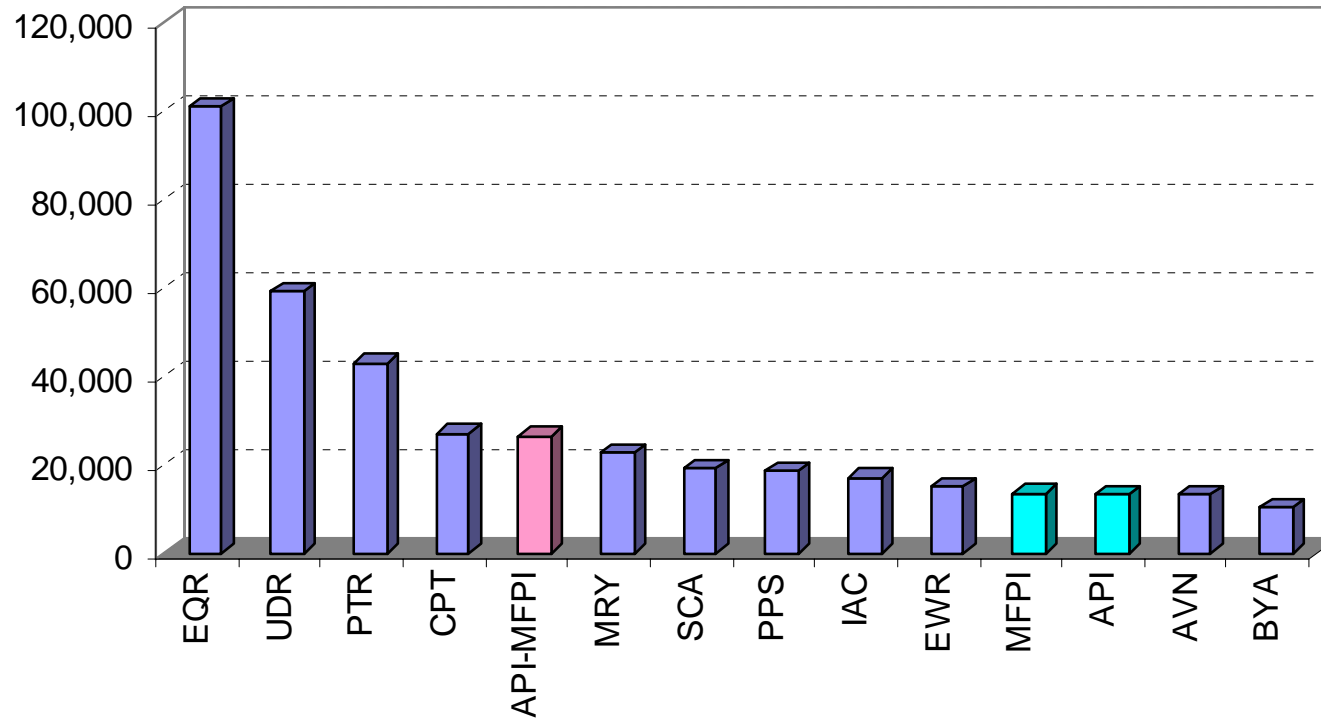
- **Integrate computer/telecommunication accounting systems and personnel as quickly as possible**
- **Internalize property management**
- **Divest or “hold” on future acquisitions in markets where the company is over concentrated**
- **Orderly disposition of non-apartment assets**
- **Investor relations campaign highlighting combined strengths**

API PORTFOLIO DIVERSIFICATION



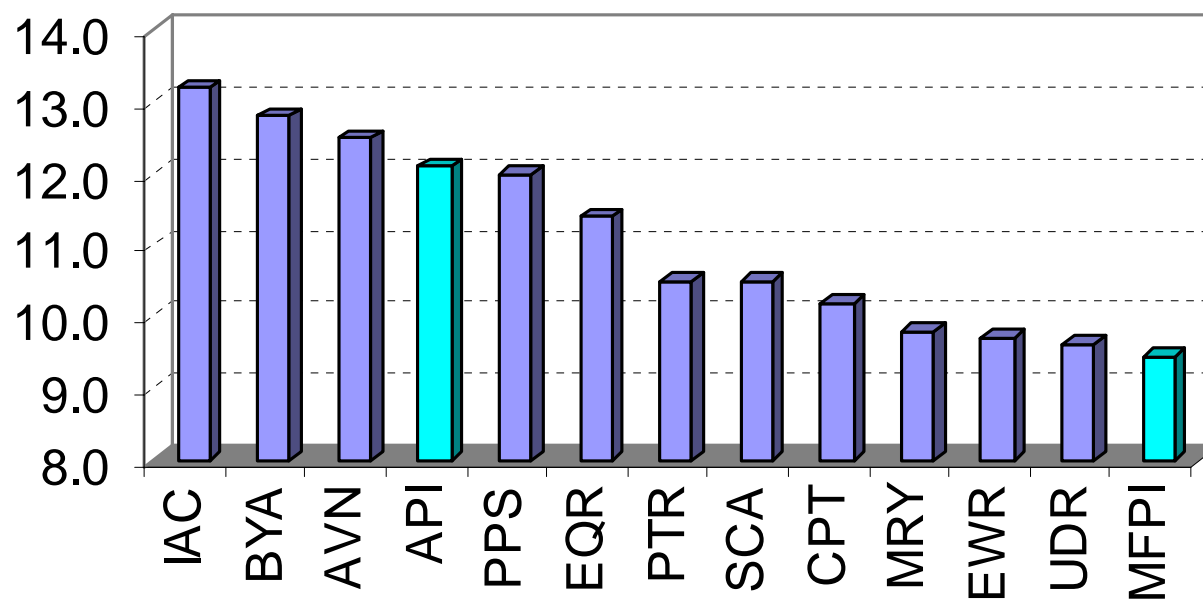
PEER GROUP COMPARISONS

Peer Group by Units



PEER GROUP COMPARISONS

Peer Group by FFO Multiple



COMPANY PROFILES

■ API

- REIT Formed 1970
- 13,015 Units
- 5 Western States
- 9 Metro Areas

■ MFPI

- REIT Formed 1993
- 13,428 Units
- Nevada
- Colorado
- 2,900 Future Development Projects

API & MFPI CURRENT STATUS

■ API

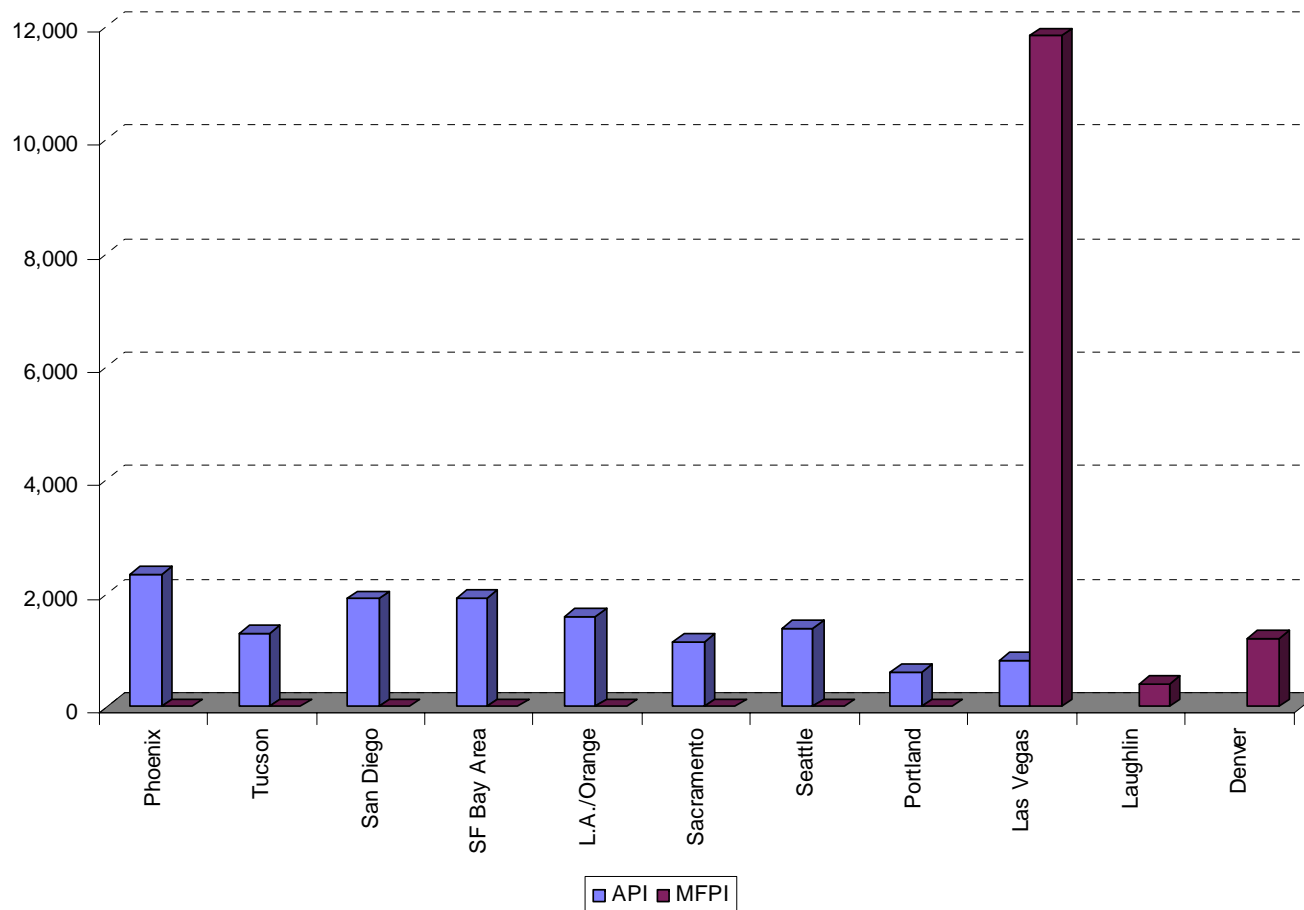
- Shares Outstanding
 - 36,983
- Price Per Share
 - \$24.50
- Market Capitalization
 - \$906,085
- Debt
 - \$245,075
- Debt to Market Cap
 - 27.0%
- FFO Multiple
 - 12.07

■ MFPI

- Shares Outstanding
 - 20,403
- Price Per Share
 - \$23.50
- Market Capitalization
 - \$479,462
- Debt
 - \$415,227
- Debt to Market Cap
 - 87.0%
- FFO Multiple
 - 9.44

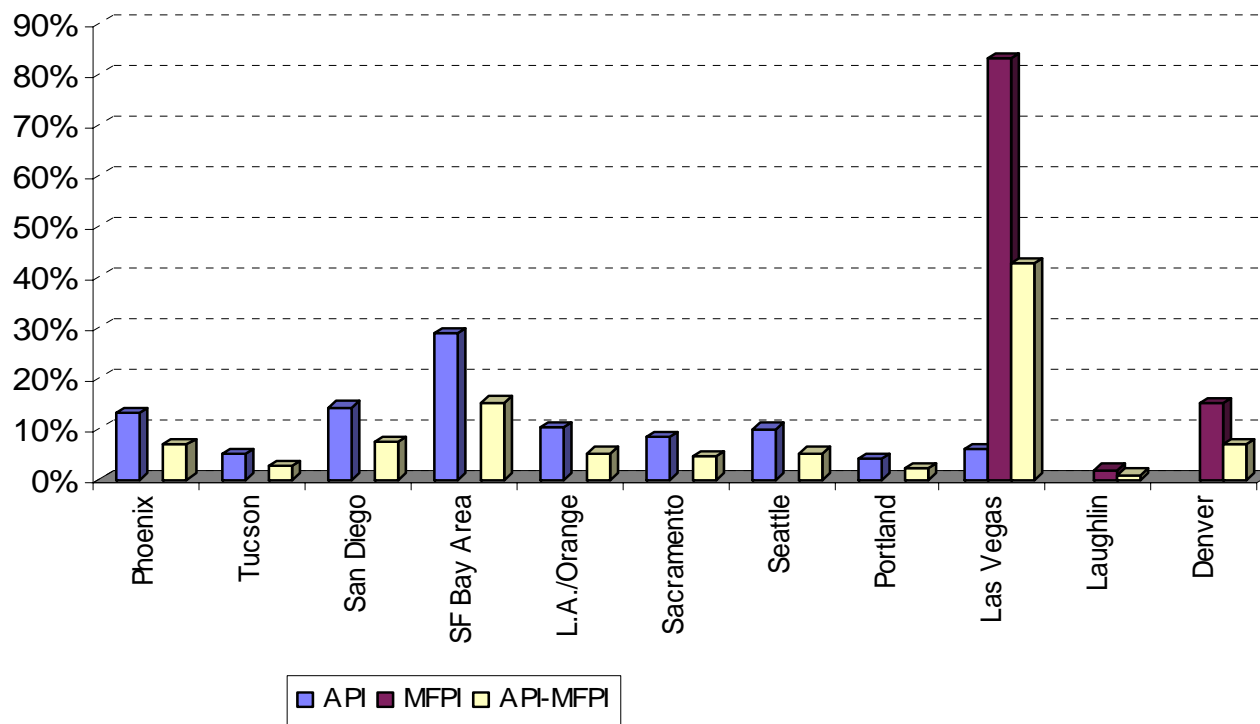
GEOGRAPHIC DIVERSIFICATION

API-MFPI Geographic Diversification by Units



GEOGRAPHIC DIVERSIFICATION

Net Asset Value, Percentage of Portfolio



MARKET ANALYSIS

■ **Las Vegas Economic Overview:**

- **Why Las Vegas?**
 - Acquisition gives API a rare opportunity for expansion in one of the West's most dynamic markets
 - Ranks as the nation's fastest growing among the nation's largest 100 metro areas
 - Economic growth significantly above the Western Region and nation overall
 - Apartment market in equilibrium

MARKET ANALYSIS

■ **Las Vegas Competitive Advantages/Risks:**

- **Advantages:**

- Low cost of living and doing business
 - Absence of Corp./Inventory/Merchant-Mfg Taxes
- Abundance of land and labor (net migration)
- Increased corporate relocations
- Continued economic diversification

- **Risks:**

- Water shortages
- Lack of infrastructure capacity
- Environmental damage (desert/air quality)
- Slow growth in government services

MARKET ANALYSIS

■ Demographics/Employment:

- Total Population 1.2 million
 - 4.3% per year through 2001 v.s. 1.7% West and 1.0% US
 - Adding 55,900 persons per year
- Total Employment
 - 4.5% per year through 2001 v.s. 1.9% West and 1.4% US
 - Add 28,580 Hotel Rooms from 1996 through 1998
 - \$7.0 Billion Cost and over 44,000 jobs created
- Apartment Market:
 - Issue 7,300 multifamily permits per year (Supply) v.s. 10,320 renter occupied households per year (Demand)
 - Vacancy Rate below 7.0% through 2001 (Equilibrium)
 - Effective Rent Growth from 2.0% to 3.0% through 2001

API-MFPI ORGANIZATIONAL CHART



DISCOUNTED CASH FLOW VALUATION

- **TEN YEAR CASH FLOW ASSUMPTIONS:**
 - **Total Revenues:**
 - Y1 3%, Y2-Y3 4% per year and Y4+ 5% per year
 - **Expenses:**
 - 3% per Year
 - **Property Taxes:**
 - Y1 2% and Y2-Y6 1.5% per year
 - **General Administration:**
 - 2.5% of revenues per year
 - **Interest Expense: Constant**
 - **Capital Expenditures: 75% of depreciation**

DISCOUNTED CASH FLOW VALUATION

- VALUATION ASSUMPTIONS:

- Discount (Hurdle) Rate 13%
 - Reflects risks associated with development unit, portfolio concentration and space and capital Market volatility
- Ten year life
- Terminal Multiple 12.5 (mature phase)

- PRICING

- NAV **\$992,432**

INTERNAL VALUATION

- ASSUMPTIONS:

- No premium for development entity
- Non-Core assets, land and construction-in-progress purchased at cost

- PRICING

INTERNAL VALUATION RESULTS

- **CONSOLIDATED BALANCE SHEET (in 000's)**

	<u>From</u>	<u>To</u>	<u>% Ch.</u>
• Assets	\$816,251	\$1,790,040	219%
• Liabilities	228,742	643,974	281%
• Shares O/S	36,983	56,553	53%

- **FINANCIAL DATA**

	<u>From</u>	<u>To</u>	<u>% Ch.</u>
• FFO P/Shr	\$ 2.03	\$ 2.16	6.4%
• Share \$	24.50	26.13	6.7%
• Mkt.Cap	\$906,083	\$1,478,174	63.1%
• Dbt/Eq.	39%	56%	
• Dbt/Mkt.Cp.	25%	41%	
• Dbt/Tot.Mkt.Cp.	20%	29%	

CONCLUSION

- **Value range**

\$973,310 - \$992,432

- **Corporate goals achieved**

- **Increased FFO from \$2.03 to \$2.16**
- **Improved geographic/economic diversification**
- **Net Asset Value grows to \$1,790,000,000, close to the \$2 billion threshold**
- **Improved liquidity and access to capital markets**

CONCLUSION

- **Corporate goals achieved**
 - **Units owned increases to 26,443, surpassing 20,000 benchmark**
 - **Improved economies of scale**
 - **Improved operating efficiencies**
 - **Adds institutional grade assets in western region**
 - **Maintains Balance Sheet strength, Debt to Total Market Cap at 29%**
 - **Adds in-house development**