

A Summary of Amstar Investment News and Perspective



About Amstar

Established in 1987, Amstar is a real estate investment manager that offers both commingled funds and tailored separate accounts to its international and domestic clients. With more than \$1.6 billion in assets under management, Amstar's current portfolio consists primarily of office, multifamily, hospitality and retail holdings within the major markets of the United States and select markets in Europe and Latin America.

Amstar offers its clients stability, sound judgment and a long history of proven performance. Our team of highly capable professionals understands that our commitment to our clients is the company's primary competitive advantage.

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TENN. MULTIFAMILY PROPERTY FULLY OCCUPIED

Second phase of Dwell to break ground during September

Dwell I, a 258-unit multifamily property located in Cool Springs, Tenn., that Amstar developed in partnership with Southern Land Company, is



Dwell I, Nashville, TN

now 100% leased. An adjacent site will accommodate Dwell II, a 112-unit, two-building property designed to complement and expand Dwell I. Design work for Dwell II is complete and ground-breaking is expected during September.

Dwell I, which delivered during 2009, was the first ultra-luxury urban style apartment community developed in the Nashville MSA, and it stabilized despite coming online during the recession. As the highest quality property in the market, Dwell has attracted residents from across the metro area and boasts a broad and diverse resident base.

With the development of Dwell II, Amstar will build complementary product that is not directly competitive with Dwell I. The Dwell II unit mix will be optimized based on the experience at Dwell I and feature different but similarly high-end finishes and highly functional one- and two-bedroom floor-



Dwell II

plans. The new development will have elevators and conditioned corridors and will add new amenities for the overall Dwell property, including a second fitness room. Dwell II also will take advantage of the in-place Dwell I amenities, leasing and management teams and marketing efforts.

WHOLE FOODS OPENS, TWO RETAIL PROPERTIES UNDERWAY AT MCEWEN SITE

Natural grocer opened in May, BrickTop's sets opening date, Southside development breaks ground

Development is surging at Amstar's 90-acre mixed-use McEwen project in Cool Springs, Tenn., 15 miles south of Nashville.

A new 45,000-square-foot Whole Foods Market opened during May. The store, located less than one-half mile from I-65 and benefitting from enhanced access from Mallory Lane and McEwen Drive, is convenient for commuters, office workers and nearby residents alike and has performed very well since opening. The McEwen location replaced a nearby legacy store that Whole Foods inherited when it purchased the Wild Oats grocery chain. US Bank provided construction financing for the property.



Nashville, TN

In addition, across from Whole Foods, BrickTop's, a popular Nashville-based upscale restaurant, is under construction and scheduled to open during September 2011. The destination restaurant, the second location in Nashville and fifth in the U.S., will be 8,900 square feet and serve lunch and dinner seven days per week and will serve brunch on weekends. BrickTop's will feature a large patio, an active bar scene, luxurious seating and inspiring cuisine.



Whole Foods and BrickTop's will anchor the retail development south of McEwen Drive. The final phase of the retail project, Southside at McEwen, a 40,000-square-foot in-line retail property adjacent to Whole Foods and just south of BrickTop's, broke ground during June. Southside's roster of tenants will include soft goods retailers, restaurants and amenity tenants for occupants of the adjacent 175,000-square-foot McEwen Office building, the Dwell apartments nearby (see page one) as well as Franklin residents. Amstar expects to sign leases with a mix of local, regional and national tenants and, with pre-leasing well underway and moving quickly, Amstar expects to announce the first set of tenants during August. The Southside property is expected to open during the fourth quarter of 2012.



Southside at McEwen

URUGUAY RETAIL/OFFICE PROPERTY UNDER CONSTRUCTION, LARGELY COMMITTED

Contemporary mixed-use development in Costa Urbana will open during the fall

Costa Urbana Civic Center Mall in Costa Urbana, Uruguay, a 22,300-square-meter (240,000-square-foot) mixed-use destination retail property, is under construction and on target to open during November 2011. Leases and letters of intent have been signed for 92% of the property's retail space. The site's grocery anchor is Tata and mall retailers include Adidas, Burger King, McDonald's, Subway, Reebok, LEVIS, and many local stores. The office space, comprising 6,200 square meters (67,000 square feet), is 75% pre-leased. A key office tenant is the municipality, which will house employees from the state-owned bank, the post office, social security office, and local utility companies.



Costa Urbana, Uruguay

AMSTAR SELLS ORANGE COUNTY REDEVELOPMENT SITE TO ARCHSTONE

Amstar takes gains at sale, had secured entitlements for the multifamily site

Amstar sold during June 2011 its stake in College Country, a fully entitled, four-acre multifamily development site near Bella Terra Mall in Huntington Beach, Orange County, California. A joint venture between Archstone apartments and Red Oak Investments purchased the site and expects to commence construction in 2012.

Amstar, in partnership with Irvine-based Red Oak Investments, purchased the existing 60,000-square-foot office/retail center in 2007 and subsequently secured zoning and entitlements for a luxury apartment development with 385 units and 10,000 square feet of ground-floor retail. Amstar decided to sell the property to an institutional buyer after weighing the profitable offer received against the risk-return profile associated with development. Located along Center Avenue and Gothard St., the property is adjacent to the 14,000-student Golden West College, two blocks from Bella Terra Mall, near the 405 Freeway and within 10 miles of Orange County's core employment markets.



Orange County, CA

TAMPA CBD OFFICE PROPERTY REACHES STABILIZATION

Two Harbour reaches 92% occupancy after renewing all leases during 2011 and signing new tenants

Two Harbour, Amstar's 180,000-square-foot Class A office building in downtown Tampa, renewed 100% of its 50,950 square feet of 2011 lease expirations. In addition, 26,504 square feet of new leases were executed in the first half of the year. Occupancy increased from 75% at yearend 2010 to 92%. Amstar acquired this asset during 2007.

The building's high parking ratio of 6:1,000 square feet contributed to the new leasing success. Tenants cited parking, new building amenities such as a daily catered lunch service, and a location near executive housing as reasons they preferred this building compared with others. Overseas Shipholding Group, Inc., a oil and gas shipping company, was the largest of the recently renewing tenants. New tenants were in government, defense and medical business sectors.



Tampa, FL

AMSTAR HIRES TOM HERZOG AS NEW CHIEF FINANCIAL OFFICER

Herzog, formerly of HCP, Inc., and AIMCO, to start during 4Q 2011



Amstar announced that during the fourth quarter of 2011 Thomas Herzog will begin as the firm's new chief financial officer. Most recently, Herzog was the executive vice president and chief financial officer of HCP, Inc. (NYSE: HCP), an S&P 500 real estate investment trust. Prior to HCP, he held the same titles at Apartment Investment and Management Co. (NYSE: AIV). Prior to AIMCO, Herzog was with GE Capital Real Estate and Deloitte. Herzog attended North Dakota State University and earned a Masters of Science in Business Administration from Iowa State University. Amstar's current CFO, Kevin Martin, who is retiring after 22 years, will transition his position to Herzog during the next two years.

Amstar Quick Facts

- Established in 1987
- Registered Investment Adviser with the SEC
- \$1.6 billion of assets under management (as of June 30, 2011)
- Invested more than \$3.6 billion since inception
- Amstar senior staff has 10-year average tenure
- Demonstrated track record of success across all product types with emphasis on office, multifamily and hotel properties

Amstar's Outlook

An editorial column about trends we are watching

Develop to Core: What It Is and Why It Is Compelling

In the last issue we discussed our Restore to Core strategy, targeting well-located office assets that would trade at 'core' pricing were it not for the effects of the recession. These deals provide favorable risk-adjusted returns, as they produce stable NOI that qualifies for competitive financing but offer significant upside as we restore them to fit a core buyer's profile, often by stabilizing the asset, completing deferred maintenance, etc. We are actively pursuing Restore to Core properties, but that represents approximately half of our pipeline; the other half falls under a "Develop to Core" strategy.

Our Develop to Core strategy is focused on building Class A institutional-quality multifamily product in markets with high barriers to entry. Additionally, key to the overall strategy is selling at the highest possible exit value but being comfortable with a longer-term hold if capital markets are not optimal. That makes conservative leverage critical, as it allows the stabilized asset to produce cash until capital markets improve. This strategy borrows themes from its Restore to Core cousin, namely creating value by providing no-excuses real estate to acquisition-hungry institutional core buyers, and using conservative leverage. Although further out on the risk spectrum from Restore to Core, Develop to Core also has a compelling risk/return profile as multifamily product trades at very low cap rates and as current demographic, economic and cultural changes reduce development risk for multifamily dramatically.

Pent-up Demand - Research indicates that as many as one million households were not formed as a result of the recession as "Boomerang Children" returned to their parents and people "doubled up" with friends and relatives when they might normally live on their own. Research also shows strong correlations between household formation and job growth, suggesting that as the economy recovers, many new households will form. Similarly, the Census Bureau estimates that single person households declined by more than 500,000 during 2008; they had grown by more than one million in 2007. There is a growing cadre of young adults getting ready to live independently. Another driver of demand for multifamily product, the aging Baby Boom generation, is entering its fifties and sixties. Many are now empty-nesters and some will want to downsize their living arrangements. In addition, declining home values coupled with more stringent mortgage underwriting practices auger for a likely continuation of modest decline in ownership rates. With all that, we expect the demand for rental product to spike for the next several years.

Declining Rate of Young Marriages - Early marriage was once the norm but is now rare. The Census Bureau estimates the median age at first marriage is 28 for men and nearly 26 for women. Younger people are living on their own for longer periods, increasing the demand for rental units. Evidencing a related trend, single person households were 13% of all households in 1960, but as of 2009 they are estimated by the Census Bureau to be 27%.

New Supply Needed - During the late 1960s and 1970s when the Baby Boomers were entering adulthood, the U.S. averaged between 500,000 and 600,000 multifamily completions per year. Production fell after that, and owing to the recent real estate and banking crisis, dropped recently to an estimated 100,000 to 120,000 new units in 2010. Just to keep pace with demographics, the U.S. will have to produce multifamily product at a rate of 400,000 units per year for several years (see chart).

The factors above - pent-up demand, favorable demographic trends, and a supply shortage - combine to create the conditions for a prolonged bull market for multifamily owners and developers. The Develop to Core strategy takes advantage of these trends, but for a property to qualify as Develop to Core it must also be in a highly advantageous location and be best-in-class product. These characteristics enable a property to generate long-term, stable cash flow and to become an optimal target for a core buyer.

