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Research Note:

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Apartment Investment and Management Company

Price: \$19.90 ■ DJIA: 8,852 ■ RMZ: 592

Current Recommendation: **SELL**

AIMCO Loses a Star

Oftentimes, changes in management teams do not provoke much of a reaction and even go overlooked. However, the recently announced resignation of Jeff Adler, AIMCO's former head of operations, looks to be a blow to the company. Mr. Adler has been a central figure in AIMCO's improved property operations performance since '04 and the timing of his departure is particularly troubling as the company and the apartment sector face an increasingly challenging operating environment. Further, Mr. Adler's departure marks yet another senior-level executive change at AIMCO, a recurring theme in recent years for the company.

Tim Beaudin, who is assuming Mr. Adler's responsibilities, is an experienced and respected real estate professional who joined AIMCO after the sale of Catellus (to ProLogis in '05) where he spearheaded development activities. Mr. Beaudin has limited multifamily experience and even less multifamily operating experience, although to be fair, Mr. Adler also lacked operating experience when he first joined AIMCO back in '02. Offsetting these concerns to some extent are the following: (1) Mr. Adler is leaving AIMCO to launch a multifamily-focused consulting firm and will count AIMCO among his clients; (2) Mr. Beaudin has been in charge of property operations of redevelopment properties at AIMCO; and (3) Tony D'Alto, an AIMCO veteran, has largely been responsible for day-to-day property operations at AIMCO over the past year as Mr. Adler has transitioned to a more strategy-oriented role. Nevertheless, Mr. Adler's departure is a net loss for the company.

Our REIT pricing model indicates that AIMCO shares should trade at a 58% discount to our \$38.75/sh estimate of NAV, compared to the 33% discount at which the average apartment REIT currently trades. The larger-than-average warranted NAV discount reflects the higher leverage employed by AIMCO. AIMCO trades at a 16% discount to *unleveraged* asset value, which is inline with the 16% discount at which its multifamily peers trade. The resulting warranted share price is roughly \$16.25/sh. We maintain our **SELL** recommendation on the shares of AIMCO.

Estimates	2008E	2009E	2010E
FFO:	\$3.22	\$3.19	\$3.20
AFFO:	\$1.59	\$1.41	\$1.37
AFFO Growth Rate:	-5.9%	-11.3%	-2.8%

Valuation Measures	
Net Asset Value:	\$38.75
Warranted Share Price:	\$16.16
Premium/Discount to Warranted Value:	23.1%

Important disclosure on the last page.

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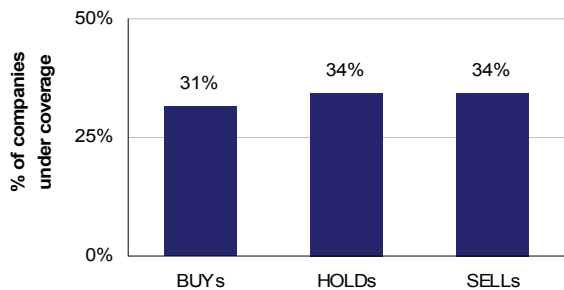
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**Green Street Recommendation Distribution
(as of 10/1/08)**

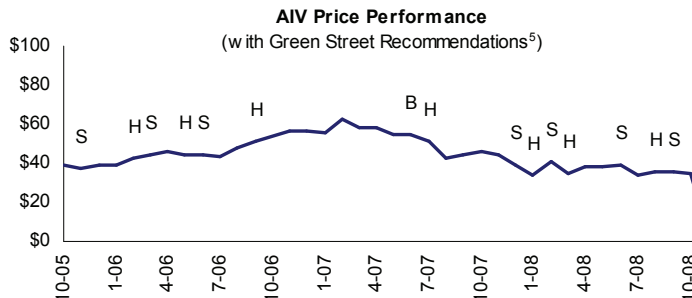


Green Street's "BUYs" have historically achieved far higher total returns than its "HOLDs", which, in turn, have outperformed its "SELLs".^{1, 2}

Total Return of Green Street's Recommendations

Year	Buy	Hold	Sell	NAREIT Eqty ⁴
2008 YTD ³	10.6%	6.3%	-9.3%	1.8%
2007	-6.5%	-22.3%	-27.6%	-15.7%
2006	45.4%	29.9%	18.4%	35.1%
2005	26.3%	18.3%	-1.9%	12.2%
2004	42.3%	28.4%	15.6%	31.6%
2003	42.7%	37.2%	20.9%	37.1%
2002	17.7%	2.6%	1.9%	3.8%
2001	35.7%	19.1%	11.9%	13.9%
2000	53.6%	29.3%	4.4%	26.4%
1999	14.2%	-9.2%	-20.2%	-4.6%
1998	-0.6%	-15.1%	-16.4%	-17.5%
1997	37.1%	14.2%	5.8%	20.3%
1996	47.3%	30.2%	17.5%	35.3%
1995	23.6%	14.3%	-0.4%	15.3%
1994	20.5%	-0.7%	-9.3%	3.2%
1993 ³	29.4%	5.4%	6.7%	12.4%
Total Return³	4075.0%	383.6%	1.3%	499.9%
Annualized	26.9%	10.6%	0.1%	12.1%

The chart below shows AIV's price performance over the last three years, along with Green Street's recommendations during that time.



1) Historical results through January 3, 2005 were independently verified by Ernst & Young, LLP. E&Y did not verify stated results subsequent to January 3, 2005. Past performance results cannot be used to predict future performance. For a complete explanation of study, see 5/9/03 report "How are We Doing?".
 2) Company inclusion in the calculation of total return has been based on whether the companies were listed in the primary exhibit of Green Street's "Real Estate Securities Monthly", pg. 13-16. Beginning with May 2000, Gaming C-Corps and Hotel C-Corps, with the exception of Starwood Hotels and Homestead Village, are not included in the primary exhibit and therefore not included in the calculation of total return. Beginning with March 2003, all Hotel companies are excluded.
 3) Study uses recommendations given in Green Street's "Real Estate Securities Monthly" from January 29, 1993 through October 1, 2008.
 4) Not directly comparable to Green Street's performance indices because NAREIT includes more companies and uses market-cap weightings. Green Street's returns are equally-weighted averages.
 5) Green Street has only three recommendations: BUY ("B"), HOLD ("H") and SELL ("S"). The firm does not consistently publish price targets and therefore price targets are not included in this graph.