



New Beginnings

The past two years have presented numerous challenges to real estate operating companies across the globe, as economies have contracted and capital markets have been severely disrupted. These cyclical downturns inevitably filter out weaker firms that are either unable or unwilling to take the necessary steps to survive. ZOM met each of its legacy challenges head-on during this critical timeframe, with the primary goal of preserving the capital entrusted to us by our capital partners and shareholders. We now successfully emerge as a stronger and wiser organization, poised for significant new growth in our target markets.

The landscape for rental housing investment is promising indeed. Vacancies continue to tighten, falling below 6% nationally in Second Quarter 2011. Rent growth has been positive nationally for six consecutive quarters and concessions are being steadily reduced in most of the top markets. A dearth of new supply will sustain these positive operating fundamentals over the near term. Renewed job growth and positive demographic trends will augment demand over the longer term. Homeownership rates also continue to fall, further bolstering rental housing demand.



ZOM Breaks Ground on First Mid-Atlantic Project

ZOM is under construction on 1900 Wilson, a 191-unit Class AA multifamily mixed-use mid rise with 17,500 square feet of retail on the ground floor. This LEED Silver project is one block from the Courthouse Metro Stop along the Rosslyn Ballston Metro Corridor in Arlington, Virginia, a thriving mixed-use environment directly connected to other local and regional destinations.

This project is part of a growing relationship with USAA Real Estate Company. “Our previous experiences working with ZOM’s senior team have been very positive, and we are pleased to be collaborating on this impressive project,” says USAA Real Estate

Company Chairman and CEO, Pat Duncan. “This investment will be an exceptional class A project within the highly desirable DC market, and will provide diversification to our portfolio of multifamily and mixed-use assets.”

“We are very pleased to be working with USAA on this exciting development project,” says Greg West, Chief Operating Officer of ZOM. “Our shared vision for this development is to lead the market with cutting-edge product design and quality in one of the most dynamic multifamily rental markets in the country.”

ZOM teams up again with USAA to Develop Mixed-Use High Rise in Arlington



In August, ZOM Mid-Atlantic closed financing on its second development in the Rosslyn-Ballston corridor in Arlington, Virginia. The Waverly at Clarendon Station will be ZOM's second development venture with USAA in the DC region. This Class "A" mixed-use high rise will consist of 187 units and 17,000 square feet of ground floor retail. The Waverly will be LEED certified as an environmentally friendly project.

The 1.19-acre Waverly site is located one block from the Clarendon Metro Stop in

the heart of Arlington's diverse mix of retail amenities, including national retailers such as Whole Foods, Starbucks, The Cheesecake Factory, Barnes & Noble, Orvis, Pottery Barn, and Crate & Barrel as well as original local favorites such as Harry's Tap Room, Liberty Tavern, Eventide, and Spider Kelly's just to name a few. "The scale and quantity of lifestyle amenities in this immediate area are unrivaled in the market, positioning The Waverly to be the next hot spot to live in Arlington," says Greg West, ZOM's Chief Operating Officer.

In addition to superior lifestyle amenities in the Clarendon neighborhood, Virginia residents also enjoy income tax benefits as compared to DC or Maryland. The Rosslyn-Balston market corridor is dominated by young, mobile professionals attracted to both of these market factors. The Waverly will feature the amenities most coveted by this demographic, including stylish condo-level finishes and a rooftop pool. Groundbreaking is scheduled for early First Quarter 2012.



ZOM Initiates Two New Affordable Housing Projects

In May, construction commenced on Monterra Apartments, a joint venture with Cleveland-based NRP Group, one of the largest workforce housing developers in the U.S. The 300-unit development is being developed on a 12-acre site in Monterra, a prestigious master planned community in Cooper City (south central Broward County).

This workforce housing project was financed with Low Income Housing Tax Credits and Tax Exempt Bonds issued through the New

Issue Bond Program. In addition to the bonds, the project also received a SHIP loan from the Broward County Housing Finance Authority, a HOME loan from Florida Housing Finance Corporation, and a loan from the Federal Home Loan Bank's Affordable Housing Program. Bank of America is both the equity investor and the construction lender.

Although financing for these projects is often complex, market demand for this type of

housing is easy to assess. Occupancies for competitive projects in the market are in excess of 97%, demonstrating the strong demand for this type of housing. "Monterra Apartments is the first workforce housing project ever built in Cooper City. This community will deliver much needed housing to a very deep and previously underserved market segment in this area," says Kyle Clayton, ZOM's development Vice President.



The Sorrento at Miramar transaction closed simultaneously with Monterra, and construction also commenced in May. This development represents the expansion of a growing relationship with NRP Group.

"We are excited to get started on our first two projects with ZOM," says NRP Group's Chief Operating Officer, Andy Tanner. "We hope this is the beginning of a great

relationship that creates a lot of value for both companies."

This workforce housing project was financed with Low Income Housing Tax Credits, New Issue Bonds, a SHIP loan, a HOME loan and an FHLB loan. Aegon is the equity investor and U.S. Bank provided construction financing. Sorrento includes 320 units situated on 16 acres in one of the

most prestigious communities in Broward County. Residents here will enjoy gated access, a resort style pool, bar-b-que pavilion and state-of-the-art apartments. Similar rent-restricted properties in the sub-market have consistently experienced high occupancy levels, as comparable market rate apartments rent for in excess of a 24% premium to Sorrento's rent levels.



Hamptons 2.0

In January, ZOM will break ground on The Hamptons at Palm Beach Gardens, unveiling an improved version of the successful Hamptons product line. The new 224-unit project will be developed on a 22.8-acre infill site, just minutes away from the new Scripps Institute research campus, which is projected to incubate over 8,000 jobs in the bioscience and related fields. ZOM has successfully developed three previous Hamptons projects in Florida, in markets with similarly strong household incomes (\$83,715) and high median home prices (\$592,395). Sixty-seven percent of the units will have direct-access garages and dedicated ground floor entries, features that are very attractive to those who find ownership unattainable or rent by choice. The competitive rental products in this market are 10+ years old, which will allow significant margin to distinguish the fit and finish at The Hamptons, with its open floor plans and condo-level finish packages. "The stability of the economic base in this market, together with an aged rental inventory and incredible potential for high-wage job creation, combine to make The Hamptons a very compelling investment," says Greg West, ZOM's Chief Operating Officer. The Hamptons will be ZOM's first joint venture in a growing relationship with Northwestern Mutual Life as a capital partner.



The Avery Registers Strong Performance

In 2010, ZOM Texas, Inc. completed The Avery on Southwestern, a 422-unit garden-style infill development. This award-winning property is strategically located within the East Dallas/University submarket. An abundance of neighborhood retail and restaurants are nearby, providing convenience and a comfortable lifestyle. This Class A rental community is also in close proximity to North Park Mall, anchored by Neiman Marcus, Nordstrom and Dillard's.

The Avery benefits from creative architecture and site planning. In recognition of this

design creativity, The Avery garnered a Pillar of the Industry Award in 2010. Sponsored by the National Association of Home Builders, this prestigious award designated The Avery on Southwestern as the Best Garden Apartment Community in the U.S. for 2010.

The Avery was equally well received during the lease-up phase of operations, with an average pace of 34 units per month, well ahead of pro forma. The Avery was 95% occupied as of October 1. Dallas market data shows increasingly positive trends.

Effective rent growth for 2000-era Class A product averaged 4% per annum over the recent twelve months. Occupancy for this group stands at 94.7%. Annual demand of 18,180 units is projected to far outpace new supply of 7,317, leading to further market tightening. Landlords in the Dallas apartment market are poised to benefit from these strengthening market dynamics. As such, we anticipate that The Avery's positive operating performance trend will continue to improve.



La Maison Outperforms

In February 2010, ZOM Texas completed La Maison at River Oaks, a 423-unit luxury mid-rise rental community. River Oaks has long been recognized as Houston's most exclusive neighborhood, consisting of 1,100 acres of upscale homes and high-end retail. Located on a tranquil, tree-lined street, La Maison's New Orleans-style architectural character blends comfortably with the scale and grandeur of the surrounding residences. Named "Best of State – Texas" by the Southeast Building Conference, La Maison brings a new standard of luxury apartment living to the affluent River Oaks neighborhood.

Houston ranks 2nd in U.S. job growth, delivering 52,000 new jobs over the past

year. Apartment fundamentals reflect this strengthening recovery, with rent growth in the River Oaks submarket surging 6.3% during the recent year, 3% in Second Quarter alone. Through September, La Maison's resident renewals have averaged an 11% rental rate increase, while maintaining an impressive 47% renewal ratio. Year to date operating income exceeds budget by 9%. La Maison is 95% occupied. "La Maison is outperforming its competitors and we expect further improvement in operating income and value growth as the local economy continues to recover," says Luanne McNulty, Assistant Vice President of ZRS Management, LLC, the property management company.



Branch Creek 2.0

In 2010, ZOM's sister company, Stonebridge Investments BV, acquired 221 units at The Arbors at Branch Creek through an investment partnership. The Stonebridge affiliate has since acquired an additional 150 units in this "fractured" condo and is in the process of reverting the Tampa project to a Class A luxury rental community. The Arbors has been managed by ZRS Management, LLC, since 2000, when it was originally developed by ZOM. ZOM later sold the project to a condo converter, and Stonebridge purchased the unsold units at a significant discount through a short sale with the converter and the lender. "This opportunistic acquisition highlights the synergy between Stonebridge, ZOM, and ZRS Management," said Kees Bruggen, Managing Director for Stonebridge. "ZOM sourced the opportunity for us, and managed the buyback of additional units. ZRS had extensive knowledge of the project's operating history, as well as the ability to successfully reposition the property in the northwest Tampa submarket. This was a winning combination for us in marketing this opportunity to our investors and moving quickly and confidently to make this investment." For further information on Stonebridge, visit their website at www.stonebridgeinvestments.nl.

Monarch Sale

ZOM's Monarch high rise in Austin was profitably sold in August to pension fund advisor GID/Windsor. This iconic 29-story, 305-unit luxury tower is strategically located in the vibrant West End/Market district, with commanding views of the downtown Austin skyline, Town Lake and the West Texas Hill country.

The Monarch opened in 2008 in the midst of a severe U.S. recession. "Our ability to weather the downturn is a testament to ZOM's development approach – building high-quality projects in the best locations," said Trip Stephens, ZOM's Chief Investment Officer. The project also benefited from extensive teamwork with affiliate ZRS Management, LLC, the Monarch's property manager. "Our proactive asset management and property management focus enabled us to complete the lease up and stabilize operations, secure a critical loan extension in late 2010, push rents as the Austin market recovered, and ultimately, to sell the project at a record price."



Prospects Bright for Apartment Sector

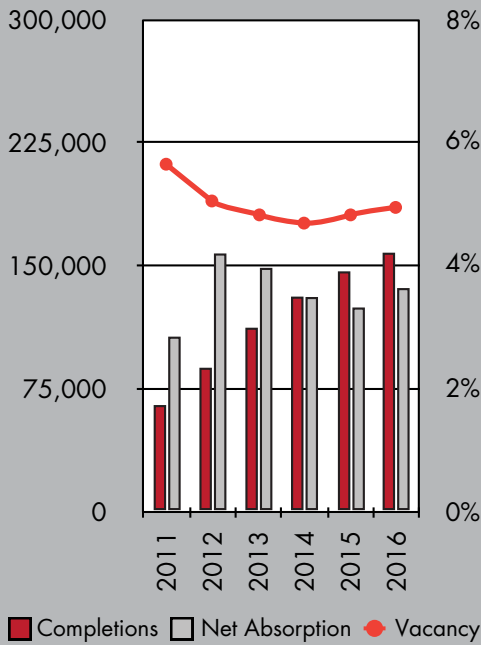
With surging demand and additions to new supply at record lows, the apartment sector is in the midst of a robust recovery. The U.S. economy added 1.75 million jobs from Quarter One 2010 to Quarter Two 2011, re-igniting household formation and rental demand. Another significant demand driver is the recent decline in homeownership rates, which fell over 100bps to 65.9% through

June 2011. Coupled with new household formations, this shift from owning to renting has added 1.4 million new renters nationally.

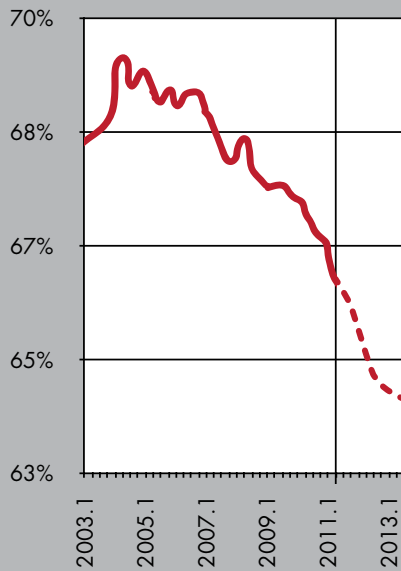
According to CBRE Econometric Advisors, the homeownership rate should continue to trend toward the long-term average of 64%, further boosting rental demand, as the U.S. economy continues to recover. These

favorable dynamics set the stage for vacancy rates to return to their long-term average levels by the end of 2011, and apartment revenues are projected to grow 4% annually through 2016. Additionally, favorable demographics in the growing 20-34 year-old age group should sustain strong apartment fundamentals over the longer term.

Vacancy Rate Returns to Norm by Late 2011



Homeownership Rates Decline



ZOM Launches New Website

ZOM's new website continues to embrace our commitment to creating unique, design-focused living spaces. We hope you like our newest expression of ZOM Living.

www.zomusa.com

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These positive market dynamics are presenting excellent opportunities to reap gains through the sale of existing assets. Revenue growth in Austin, Texas surged 7.2% on average over the past 12 months, presenting an excellent opportunity to sell The Monarch in August at a record-setting price. Additional sales are planned in the months ahead as market fundamentals continue to improve in the Texas markets.

With improving market conditions and new supply production at cyclical lows, it is also an excellent time to launch new development initiatives. ZOM has forged

new venture relationships with institutional investors USAA and Northwestern Mutual Life, to develop several new market rate projects. ZOM also recently re-entered the affordable housing segment, breaking ground on two new workforce housing projects in Florida, which are being co-developed with NRP Group. These new projects represent over 1200 new apartments and an aggregate volume in excess of \$250 million.

Looking ahead, ZOM will continue to prudently expand its development pipeline, targeting submarkets with above average growth prospects and carefully tailoring each project to the local market's rental

customers. Our signature, award-winning design elements will also continue to be a hallmark of the ZOM Living experience. The multifamily sector continues to outperform other asset classes, in terms of both superior investment returns and low volatility, attracting an increasing number of private and institutional investors. With a renewed spirit throughout our entire organization and an expanding investor base, ZOM is well positioned to take advantage of these favorable market conditions and demographic trends, and to deliver exciting new multifamily investment opportunities to our investor partners. We look forward to working with you as we begin ZOM's fourth decade in U.S. real estate.