

The background of the page is a photograph of a Miami waterfront. In the foreground, there are several sailboats on the water, with a line of trees and a small island in the middle ground. In the background, the Miami skyline is visible across a body of water, featuring numerous high-rise buildings under a clear sky.

Forging Relationships

Any lasting business is built on trust. Since 1977, ZOM's primary goal has been to preserve the capital entrusted to us by our capital partners, shareholders and lenders. This guiding principle has enabled us to forge significant and lasting relationships with a wide range of private and institutional partners and lenders, both domestic and foreign. We have also forged new relationships with capital partners to whom we have sold ZOM-developed projects in the past. Several of these institutional buyers are now partnering with us in new development ventures. These strong relationships, old and new, are enabling us to position for significant new growth in our target markets.

ZOM has broken ground on three new projects since our last newsletter. We will break ground on two new projects in February 2013 and have an additional 1,250 units in design. We broke ground in June on The Hamptons at Palm Beach Gardens, an improved version of our successful Hamptons product line. Our venture partner is Northwestern Mutual Life. First units will be available for lease in February.

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*View of downtown Miami
from North Bay Village*



ZOM Mid-Atlantic Breaks Ground in Arlington

ZOM Mid-Atlantic has started construction on a mixed-use new development in the Rosslyn-Ballston corridor. The Beacon at Clarendon West is ZOM's second development venture with USAA in the DC region. This Class "A" high rise will consist of 187 units and 17,000 square feet of ground floor retail. The Beacon will be LEED certified as an environmentally friendly project.

The 1.19-acre Beacon site is located one block from the Clarendon Metro Stop in the heart of Arlington's diverse mix of retail amenities, including 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. "The scale and quantity of lifestyle amenities in the Clarendon neighborhood are unsurpassed in the market. We believe The Beacon is positioned to be the most highly sought after place to live in Arlington," says Andrew Cretal, ZOM's Mid-Atlantic Senior Vice President.

The Rosslyn-Ballston market corridor is dominated by young, mobile professionals attracted to the lifestyle, amenities and easy access to the best of what Washington DC has to offer. The Beacon will feature unparalleled amenities, including stylish condo-level finishes, fitness center, intimate pool and garden amenity area and sophisticated community room with outdoor fireplace. Groundbreaking occurred in July of 2012. The Beacon is expected to deliver in Second Quarter 2014.

19Nineteen Begins to Rise!

ZOM has just completed the underground parking structure of 19Nineteen, a 191-unit Class AA multifamily mixed-use mid rise with 17,500 square feet of retail on the ground floor. The industrial loft-inspired building is just beginning to rise above grade. 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.

The 19Nineteen luxury project is part of a growing relationship with USAA Real Estate Company. "We have enjoyed working with USAA on this exciting development project," says Andrew Cretal, Senior Vice President of ZOM Mid-Atlantic. "We look forward to delivering this design-oriented, high-style community in Arlington."

19Nineteen will feature amenities unmatched in the Rosslyn-Ballston Corridor, which include high-finish living spaces housed in an architecturally distinctive building, state-of-the-art fitness center with socially interactive equipment, luxuriously designed entertainment areas as well as lushly landscaped courtyards with fountains, fireplace and individual entertainment areas. 19Nineteen is expected to deliver in Fourth Quarter 2013.





ZOM Texas to Develop Second Austin Project

In 2008, ZOM Texas completed The Monarch, an award-winning 29-story high rise, which has become a residential landmark in downtown Austin. We continue to be attracted to the Austin market, which ranks third nationally in relative employment growth in major U.S. markets, and is projected to add nearly 150,000 new jobs during the next five years.

ZOM's newest project, The Addison, is located adjacent to The Domain, a highly successful mixed use urban village in northwest Austin. Currently featuring over 1,300,000 square feet of developed commercial uses, The Domain is an increasingly desirable live/work/play neighborhood, with a growing

mix of offices, restaurants and specialty retail shops, as well as entertainment and recreational venues. Our 18-acre site is directly accessible to major commuting arteries to Austin's central business district, the University of Texas and other major employment centers. The Addison site is also adjacent to Austin's new metro rail line, with access and visibility from Burnet Road and Kramer Lane. Austin's accelerating job growth and rental housing demand will favorably coincide with the delivery of our new Addison project into the north central Austin marketplace in early 2014.

The Addison will house 388 apartment homes, in two distinct pods within an 18-acre

site. Apartment homes will feature granite countertops, island kitchens in selected units, hardwood-style flooring in kitchens and entries, stainless steel appliances and garden tubs with vertical spas in selected units. Our residents will also enjoy two spacious amenity courtyards, featuring two swimming pools, summer kitchen, a pet salon and a dedicated dog park. The clubhouse will feature an e-lounge, membership quality fitness center and a display kitchen. Groundbreaking is scheduled for First Quarter 2013.

ZOM is co-developing the Addison with the NRP Group. Our venture partner is a major institutional investor.



ZOM Florida Unveils Casa Palma

ZOM Florida has broken ground on Casa Palma, a Class A infill multifamily project in the city limits of Coconut Creek, which is in northern Broward County. At \$77,256, the Coconut Creek section of Broward County has one of the highest median household income levels in the U.S. — 50% higher than the national average. The Fort Lauderdale MSA is projected to grow 3.2% annually during the next five years, adding more than 20,000 new jobs annually. Condo conversions have depleted Broward County's total rental stock by more than 30%, or 29,000 units, and the lack of new production in recent years has materially tightened the market. As such, rental fundamentals are strong, and the apartment sector should continue to strengthen when Casa Palma is introduced into the market in 2013.

Casa Palma will be developed on a 20-acre, high-visibility infill site near the Sawgrass Expressway interchange with U.S. Route 441. The location is a short commute to several well-established employment hubs, and enjoys excellent proximity to an array of retail, restaurant and entertainment venues. "A" rated public schools are within walking distance, too. Our 350-unit project will feature the timeless Spanish eclectic architectural styling of George Merrick, who designed many of the distinctive buildings in historic sections of Coral Gables, near Miami. Casa Palma's spacious apartment homes will be housed in a three-story format, with two-story end sections to soften the elevations. The spacious two- and three-bedroom units in the end sections will feature direct access to two-car garages.

Further distinguishing Casa Palma, buildings are accessed through a unique garden entry with landscaped breezeway. The spacious interior layout

and the scale of the buildings achieve a neighborhood feel unsurpassed in competing rental communities. The clubhouse will feature a membership-quality fitness center, e-lounge and resort-style pool, and will be a marketing focal point, visible from highly travelled U.S. 441, but separated from the main roadway by a scenic lake. In addition to the main pool, Casa Palma will feature another pool area with double walk-in beach-style entries, perfect for children and families.

Interior unit features will be a cut above the market, with granite slab countertops, stainless steel appliances, hard surface

floors in the kitchens and living areas, wine coolers in all kitchens and ZOM's signature "vertical spa" in select apartment homes. The array of spacious floor plans will allow for increased resident retention, while creating a distinct feeling of community. These unique design elements and unit upgrades will attract families, retirees and working professionals alike.

ZOM is teaming up with The NRP Group as co-developer on this venture. Our equity partner is an affiliate of AEW Capital Management. Construction financing is being provided by SunTrust Bank, N.A.



ZOM | Clarion Partners to Develop North Miami Waterfront

ZOM Florida will break ground in early 2013 on a spectacular waterfront project in North Bay Village in northern Miami-Dade County. The land was acquired in August 2012 by an investment affiliate of Clarion Partners. With North Bay Village, our 11th project in South Florida, we will niche into the northern Miami Beach market with an incredible waterfront location and design-driven, high-finish living spaces, all housed in an iconic, mid-rise building complex.

Our location is simply breathtaking. With over 1,400 lineal feet of waterfront, the 4.5-acre property will afford water views from every apartment home in our project. Boat slips and an on-site "boathouse" will enable ready access to Biscayne Bay for kayaks and paddle boards. An expansive pedestrian promenade near water's edge will also enable residents to enjoy walking and jogging along the entire waterfront perimeter of the site — one lap is more than a quarter mile in length. "Urban peninsula locations like this are exceedingly rare and offer a special opportunity

the Fontainebleau Hotel. The site's dramatic exterior will be articulated with bold geometric motifs, often with curvilinear forms accented with bold colors. From the moment you arrive on the property, you will be captivated by radius forms, which begin with the shape of the lobby and amenity spaces and are reinforced with radius walls, soffits and countertops in every living unit. The graceful and relaxing movement of the water is embraced in every aspect of design, from elevations, to amenities and apartment interiors.

Spacious apartment homes will be housed in an eight-story format surrounding a four-story parking structure. Residents entering

volume ceiling, membership-quality fitness center, e-lounge, boathouse, golf simulator, poolside lounge, two resort-style pools with views to the water and the Miami skyline in the distance. Interior unit features will be a cut above the market, with granite slab countertops, stainless steel appliances, tile floors throughout and ZOM's signature "vertical spa" in every master bath except the studio. These unique design elements and specially crafted style will attract families, retirees and working professionals alike.

Condo conversions have depleted Dade County's total rental stock by more than 20%, or 28,000 units, and the lack of new



to provide a unique, resort-like lifestyle that will be unprecedented in the market," says Greg West, ZOM's Chief Development Officer. The North Bay Village site is a short commute to several well-established employment hubs, and enjoys excellent proximity to an array of retail, restaurant and entertainment venues from nearby Bal Harbour to South Beach and Brickell Avenue.

The architecture is a modern interpretation of Miami Beach's high-style years, from the era of jazzy, more traditionally streamlined Art Deco hotels developed in the 1930s to the more vibrant early 1950s, when architects like Morris Lapidus produced such flamboyant projects as

each unit will be captivated by a curved feature wall welcoming you to the ocean. Responding to the shape of the feature wall, each unit also has a custom island, the form of which blends elegantly with the curved walls. The clubhouse will feature a dramatic

production in recent years has greatly tempered new supply. As such, rental market fundamentals are strong, and the apartment sector should continue to strengthen when the North Bay Village project is introduced into the market in mid 2014.



ZOM Completes New Projects

Monterra

ZOM completed construction of Monterra and Sorrento in July and September 2012, respectively. Both projects were under budget and ahead of schedule. "Monterra achieved a rare occurrence in our industry of not only completion ahead of schedule but also occupancy of all 300 units before the originally scheduled completion of construction," says Kyle Clayton, ZOM's Development Vice President.

The attention to quality and detail in these developments is clearly recognized by our satisfied residents who now occupy 100% of the units, as well as the waiting list that now exceeds 300 applicants. Monterra was a finalist for the National Association of Home Builder's Pillar Award for the Best Affordable Apartment Community in the U.S.

Both developments were financed with Tax Exempt Multifamily Mortgage Revenue Bonds and Low Income Housing Tax Credits. At Monterra, Bank of America is both the equity investor and primary lender. At Sorrento, Aegon provided equity and U.S. Bank is the construction lender. Both projects are a joint venture with Cleveland-based NRP Group, one of the largest workforce housing developers in the U.S.

Sorrento at Miramar





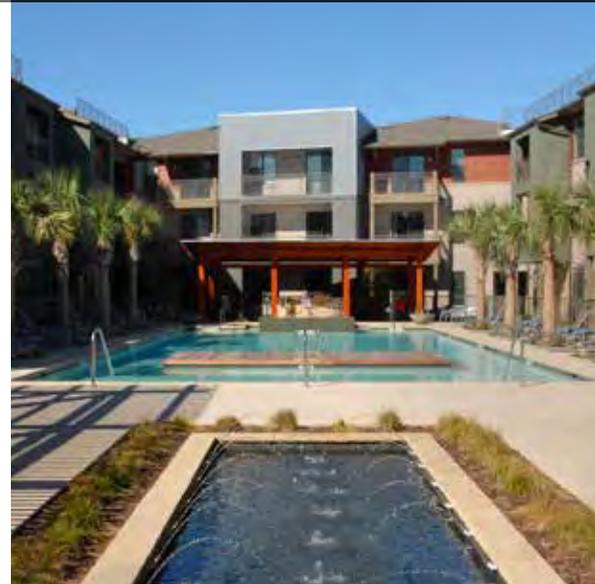
ZOM Sells Two Texas Projects

*The Avery on Southwestern
Clubhouse Pool*

ZOM's *La Maison on Revere* in Houston was profitably sold in April to an affiliate of JP Morgan Investment Management, Inc. This 423-unit Class AA luxury rental project is located in the affluent River Oaks section of Houston, convenient to the Galleria, Texas Medical Center and downtown employment centers. Nestled on a tree-lined street, La Maison's New Orleans-style architecture themes set a new standard of luxury apartment living in the upscale River Oaks neighborhood. In 2010, La Maison was named "Best of State" by the Southeast Building Conference.

The sale of *The Avery on Southwestern* was also completed in April. This award-winning project is located in the East Dallas/University submarket. The Avery was sold to an affiliate of TA Associates Realty, a Boston-based pension fund advisor. The Avery garnered the prestigious Pillar of the Industry Award in 2010, cited by the National Association of Home Builders as the Best Garden Apartment Community in the U.S.

ZRS Management, LLC was retained as property manager by both new owners of these award-winning projects.



ZRS Enhances ZOM's Success

A seasoned property management company is an essential ingredient to ZOM's success as a developer. ZRS Management, LLC was formed in 1991 to manage ZOM-developed projects. The 20-year-old firm has since evolved into one of the premier property management companies in the U.S., currently managing over 24,000 apartments in major U.S. markets, including Orlando, Tampa, South Florida, Dallas, Houston, Atlanta, Chicago and Washington, DC. ZRS clients include a host of institutional and private owners.

"ZRS' extensive operating experience in our target markets plays a key role in our underwriting process," notes Greg West, ZOM's Chief Development Officer. "We consult with ZRS executives and property directors on rent levels and operating expenses during our underwriting process, as well as new unit design features and project amenities that we expect to generate rent premiums. ZRS adds an additional degree of integrity to our design effort and pro formas — a tremendous value-add with our capital partners and lenders alike."

ZRS also enhances value during the lease-up and operational phases. In Dallas, The Avery averaged over 34 units per month in a highly competitive market during lease-up in

2010, well ahead of pro-forma. In Houston, La Maison on Revere opened in the midst of the economic downturn. As the market began to turn in 2011, however, ZRS aggressively pushed rents, with renewal increases of 11%, while maintaining an impressive 47% renewal ratio and a 95% occupancy rate. "ZRS reacted quickly to the market, significantly enhancing operating income, which resulted in an 18% increase in project value in about 12 months," said Trip Stephens, ZOM's Chief Investment Officer. Each additional dollar of NOI represents \$18-\$20 in

project value, and ZRS finds creative ways to push rents, while retaining existing residents, which also lowers turn costs. "The dramatic value recovery allowed us to profitably sell La Maison earlier this year and, as usual, ZRS was a key contributor to our success," said Stephens.

ZRS was named Management Company of the Year in 2003 by the National Association of Home Builders. In 2007, ZRS won the prestigious J.D. Power Award for Highest Resident Satisfaction among apartment renters.



Pool area at La Maison

➤ **Forging Relationships**
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In July, we broke ground on The Beacon at Clarendon West, a 187-unit, mixed use high-rise project in Arlington, Virginia. This is our second development venture with USAA — the 191-unit 19Nineteen project is also underway nearby. In 2011, USAA purchased the Mondrian at Cityplace high-rise in Dallas from a ZOM affiliate, which sparked their interest in pursuing new business with us on the development side. We closed with Clarion Partners in August on an incredible waterfront site in north Miami. Our first transaction with Clarion was in 1998 — the purchase of ZOM's first Hamptons project in Tampa. Construction on our first Clarion venture will commence in First Quarter 2013.

AEW is our partner on Casa Palma, a new 350-unit project in Coconut Creek. This Boston-based investment advisor had previously purchased The Bel Air in Houston from a ZOM affiliate in 2011. Site work

commenced in November. Our lender at Casa Palma is SunTrust Bank, who in 1991 made the construction loan on ZOM's first multifamily project in Orlando. These new projects represent over 1,200 new apartments in production and an aggregate volume in excess of \$300 million.

Apartment fundamentals remain strong. Vacancy rates on institutional grade assets continue to tighten, falling below 5% nationally in Second Quarter 2011. Class A rents have climbed 4.1% on average over the past 12 months, and real rents have increased for nine consecutive quarters. Absorption of new apartments grew to 67% of delivered inventory, the second highest rate since 2000, another clear signal that the apartment industry has recovered from the recent recession. New supply remains well below historical averages and homeownership rates also continue to decline, further bolstering apartment demand.

Apartment values have increased 6.4% over the past year, and the NCREIF value index

is at its highest level in almost four years. We have capitalized on improving values, profitably selling two of our Texas projects this year. La Maison (Houston) and the Avery on Southwestern (Dallas), were sold in Second Quarter 2012 to institutional investors at very attractive prices.

As we now enter the expansion phase of the cycle, ZOM will continue to focus on major U.S. markets in the sunbelt and mid-Atlantic regions. Our signature, award-winning design elements will remain a hallmark of the ZOM Living experience. We recognize that our future success will be largely attributable to maintaining the trust of our capital partners, which we have steadily built over the past three decades. If we are true to our partners, maintaining the diligence, creativity and attention to detail that are our foundation, we will be well positioned to succeed, delivering above average investment returns to our capital partners in the years ahead.