



Birmingham, Alabama

Multifamily Housing Update 4Q11 February 2012

Payroll Job Summary

Total Payrolls:	489.3m
Annual Change:	-2.0m
2011 Preliminary	-1.1m
2012 Forecast	+2.6m
2013 Forecast	+3.0m
2014 Forecast	+8.5m
Unemployment	7.3% (NOV)

4Q11 Payroll Trends and Forecast

After posting the first positive year-over-year comparisons in nearly four years in 3Q11 (900/0.2%) Birmingham payroll job trends slipped back into negative territory during quarter four. Establishments trimmed a net of 2,000 workers from payrolls, representing a -0.4% annual rate of decline. Continuing service and government sector weakness was largely responsible. Business, health care, education and hospitality services and government establishments combined to shed workers at a 4,500-job, -1.8% year-on-year pace.

Manufacturing and retail trade, on the other hand, were notable bright spots. Sector employers hired workers at 1,200- and 2,600-job respective annual rates, translating to 4.4% and 4.8% y-o-y growth.

The unemployment rate declined significantly late in the year, falling from a 16-month high 9.7% in June to 7.3% in November. Improvement was due entirely to increased employment rather than work force decline, suggesting the labor market is stronger than payroll series data suggest.

Vacancy Rate Summary

Vacancy Rate (Reis)	6.8%
RED 50 Rank	NA
Annual Chg (Reis)	-1.5%
Reis YE12 Forecast	6.6%
Reis YE13 Forecast	6.3%
Reis YE14 Forecast	6.0%
Reis YE15 Forecast	6.0%

4Q11 Absorption and Vacancy Rate Trends

Apartment space demand was constructive during 4Q11 as households leased a net of 176 units, down marginally from the seasonally stronger third quarter (189) and well above the 60-unit, 10-year fourth quarter average. Against no new supply, average metro occupancy increased 60 basis points sequentially to 93.2%, highest in four years.

Demand was well balanced between class-A properties and lower-tier assets. Tenants occupied a net of 76 vacant class-A units and 100 class-B&C units, raising average occupancy rates 50 bps

sequentially in each case to 94.1% and 92.6%.

Tenant interest was evenly divided among properties in the North, East and South submarkets, where 84, 87 and 78 vacant units were leased, respectively. The Central submarket, by contrast, suffered a net loss of 73 tenants, causing the submarket vacancy rate to rise 30 bps to 10.4%.

Reis are cautious regarding the near-term occupancy outlook. The service expects occupancy to peak in this cycle at about 94%.

Effective Rent Summary

Mean Rent (Reis)	\$689
Annual Change	3.3%
RED 50 Rank	NA
Reis 2012 Forecast	4.1%
Reis 2013 Forecast	4.0%
Reis 2014 Forecast	4.7%
Reis 2015 Forecast	4.5%

4Q11 Rent Trends

Rent momentum was exceptionally strong during the seasonally weaker fourth quarter. Sequential average asking and effective rents increased \$7 (1.0%) and \$8 (1.1%), respectively, representing the strongest quarter-to-quarter gains recorded in more than three years. As a result, the year-over-year comparison surged from a relatively anemic 1.9% metric in 3Q11 to 3.3% at year-end.

Class-BC asking rents soared, registering an \$8 (1.3%) average sequential gain. Top tier property

rents, by contrast, increased only \$6 or 0.7%.

The North and East submarkets chalked down the greatest effective gains, advancing 1.1% and 1.4%, respectively. Rents in South and Central submarkets were slower, rising 0.9% and 0.8%.

Reis ratcheted up their near-term metro rent forecast in February. The service now expects average effective rent to rise 4.1% this year to \$717, up from a November forecast of 3.5% and \$711.

Trade & Return Summary

2H11 \$2mm+ Sales	5
Approx. Proceeds	\$137.8mm
Cap Rate (T6M Avg.)	6.6%
Avg. Price/Unit	\$73,959
Expected Total Return	NA
RED 46 ETR Rank	NA
RAI NA	RAI Rank NA

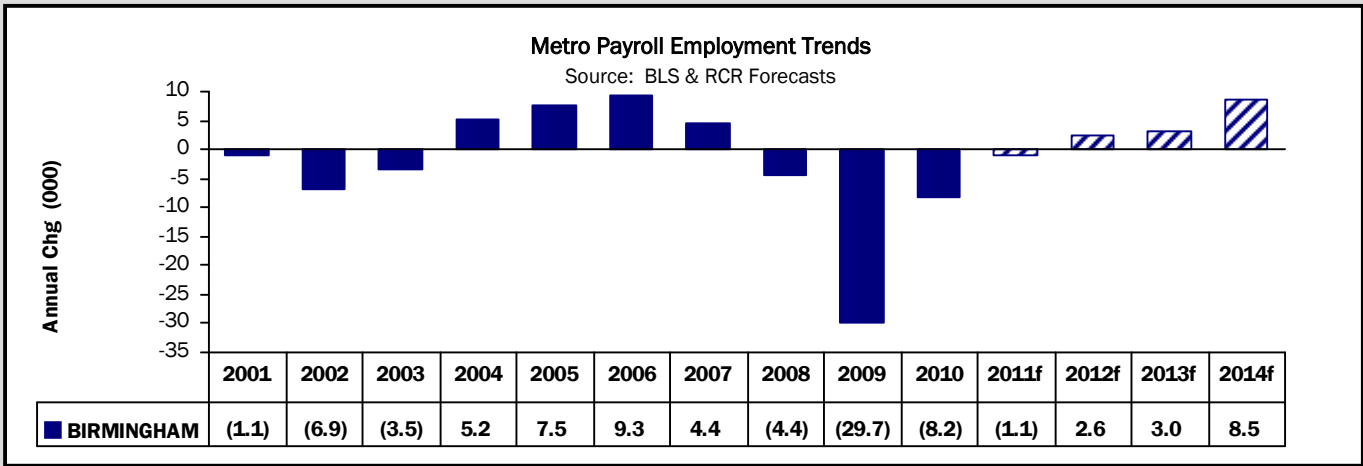
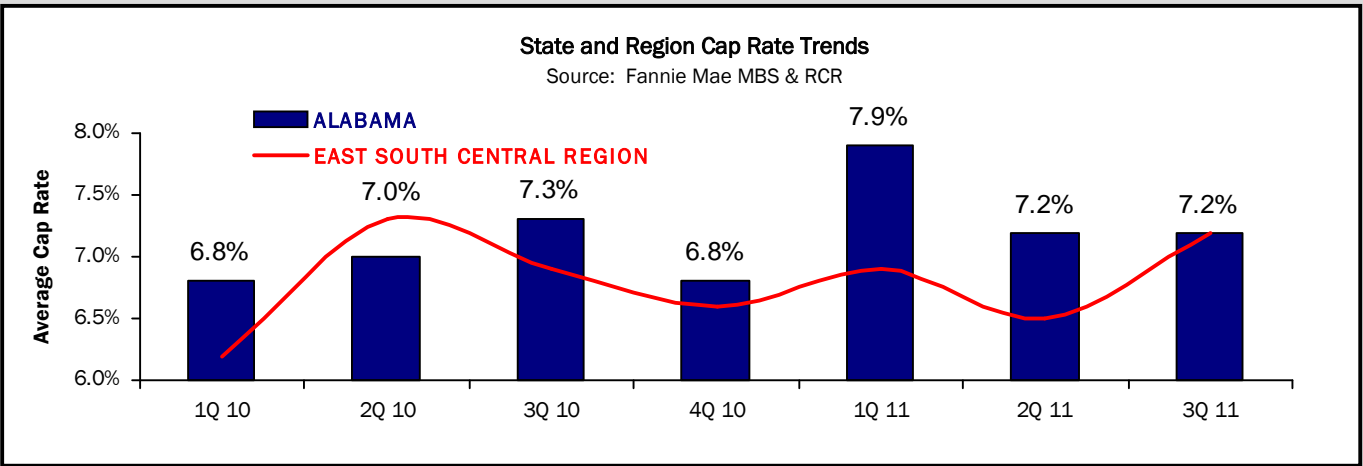
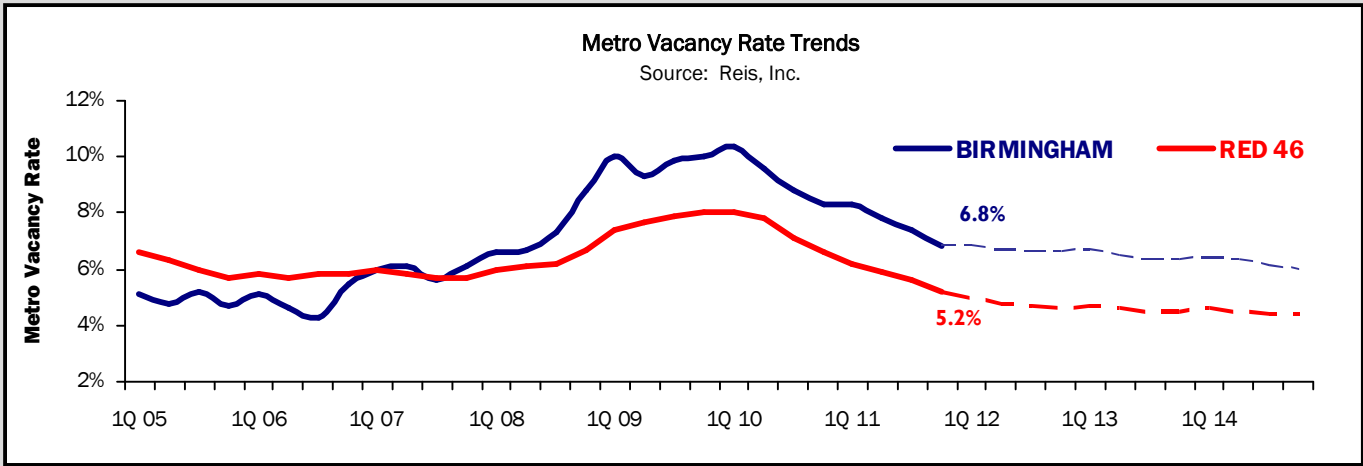
2011 Property Markets and Total Returns

Trade in Birmingham area apartment assets was brisk in the second half as at least five large apartment assets exchanged hands for total proceeds of \$137.8 million. The average price of a unit was about \$73,959.

Three distressed properties were among the assets resolved in 2H11. A 250-unit class-B- CMBS REO was acquired at an average price of \$18,000 per unit at a pro forma cap rate above 10%. A class-B, 1984-vintage garden complex sold for \$30 million/\$64,103 per unit in January

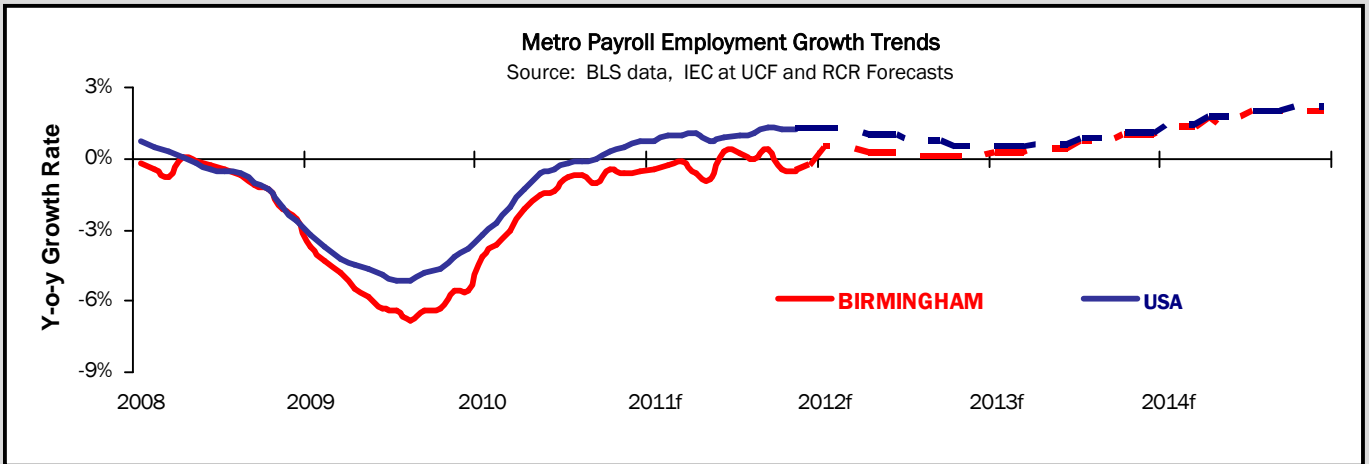
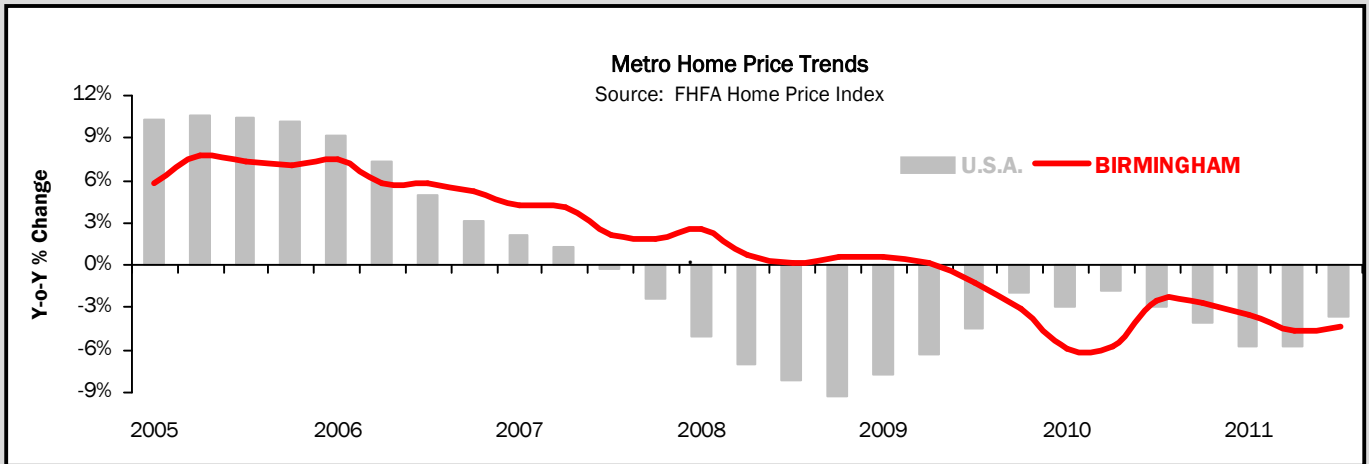
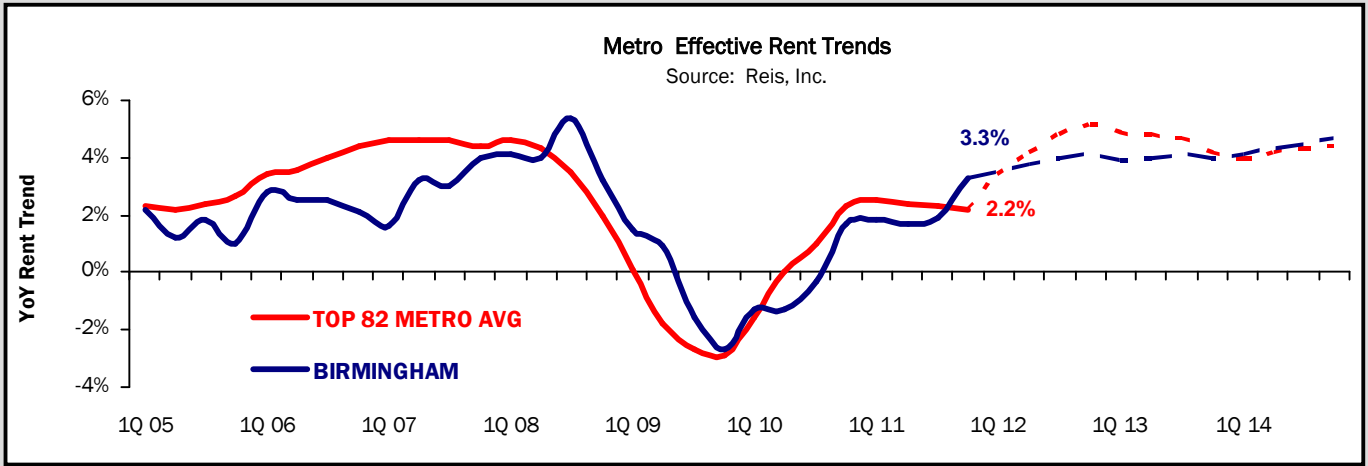
to an estimated 7% yield, and a Fortune 100 credit subsidiary off-loaded a 3-property portfolio consisting of 696 units near Hoover for \$53.2mm (\$76,437/unit) to a local real estate investment and management firm. We estimate the portfolio will yield first year returns in the 6.5% range.

The marquee performing asset trade involved a 2009-construction, 240-unit luxury Hoover property. The \$31.7mm price tag equates to \$132,083 per unit. We estimate a cap rate in the high-5% area. The buyer is a publicly-traded REIT.



NOTABLE TRANSACTIONS

Property Name (Submarket)	Property Class	Date of Transaction	Total Price (in millions)	Price per unit	Estimated Cap Rate
Riverchase Landing (South)	B (REO)	7-Jan-12	\$30.0	\$64,103	7.0%
Vista Communities Portfolio (So.)	B+ (Distr)	27-Dec-11	\$53.2	\$76,437	6.5%
Brookstone (North)	B (Distr)	15-Nov-11	\$4.5	\$18,000	10.0%
The Birchall (South)	A	29-Aug-11	\$31.7	\$132,083	6.0%



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SUBMARKET TRENDS

Submarket	Effective Rent			Physical Vacancy		
	3Q10	3Q11	Change	3Q10	3Q11	Change
North	\$554	\$566	2.2%	6.7%	4.8%	-190 bps
East	\$743	\$769	3.5%	7.8%	5.9%	-190 bps
South	\$723	\$748	3.5%	8.0%	6.7%	-130 bps
Central	\$582	\$599	2.9%	10.8%	10.4%	-40 bps
Metro	\$667	\$689	3.3%	8.3%	6.8%	-150 bps

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Birmingham, AL



EXECUTIVE SUMMARY

Labor market conditions in the Birmingham metro area deteriorated in the fourth quarter of last year, consistent with the downturn in the domestic economy. Year-over-year payroll job attrition surged from -4,000 (-0.8%) in 3Q08 to -11,000 (-2.1%) as construction and business service payrolls fell sharply.

Job trends remained negative through the first five months of 2009. Indeed, during the period, establishments cut a monthly y-o-y average of -16,800 (-3.2%) jobs, much worse than the -4,700-job average recorded in calendar 2008. In addition to persistent downsizing in the construction and business service sectors (lower by a combined -10,400 jobs y-o-y in May), retailers trimmed store headcounts more aggressively.

Total employment data from the BLS's household survey indicate that the metro economy shed jobs at a much faster pace. The total employment count fell -40,950 (-8.0%) in the twelve-month period ended in May. As a result, the metro's unemployment rate spiked to 8.7%, much higher than the 5.3% peak observed during the previous recession.

The **RED CAPITAL Research (RCR)** econometric payroll model predict that job losses will total -18,300 (-3.5%) in 2009 and -11,000 (-2.2%) next year. Due to the data disparity between the payroll and household survey's, we are logically biased toward the lower end of the forecast confidence intervals (-20,000 in 2009, -14,000 in 2010).

The National Association of Realtors report a 1Q09 median single-family MSA home price of \$130,400, down -14.9% from the same period last year. Conversely, the market generated a 1.1% increase in the FHFA home price index, suggesting that the decline in the median price was due to

a change in the quality of properties that sold, rather than an outright decrease in property value.

Owing to a sustained period of negative net absorption, the metro occupancy rate fell to 90.2% in 1Q09. The metric was down 80 basis points sequentially and was 320 bps below the comparable figure from 2008. Tenants vacated a net of 172 Class-A units in the twelve-month period ended in March. Even though managers of Class B/C properties net leased 32 units in 1Q09, lower-tiered assets experienced negative net absorption of 636 units from April '08 to March.

The pace of y-o-y effective rent growth decelerated sharply from 5.3% in 3Q08 to 3.1% in 4Q08 and 1.4% in 1Q09. Falling asking rent and increased concessions were responsible. Measured sequentially, the average face rent fell -0.1% in 4Q08 and -0.3% in 1Q09. Additionally, the size of the average concession package rose from 4.4% of asking rent in 1Q08 to 5.3%.

Reis forecast a dim outlook for apartment NOI growth throughout the country. The average effective rent in the top 79 markets is forecast to decline -1.8% in 2009. The source provides a mildly less dour outlook for Birmingham as effective rent is expected to drop -0.7%. Moreover, Reis predict metro occupancy to fall only 20 basis points by year-end, better than the 70 basis point decrease in the 79-market aggregate.

Real Capital Analytics estimate trade volume of \$135 million in the twelve-month period ended in May. The average price was \$63,453 per unit and the average cap rate was 6.6%. Trade activity was thin in 1Q09. Only one asset priced above \$5 million traded. The 1973-vintage asset was purchased for \$7.65 million or \$65,948 per unit.

SNAPSHOT

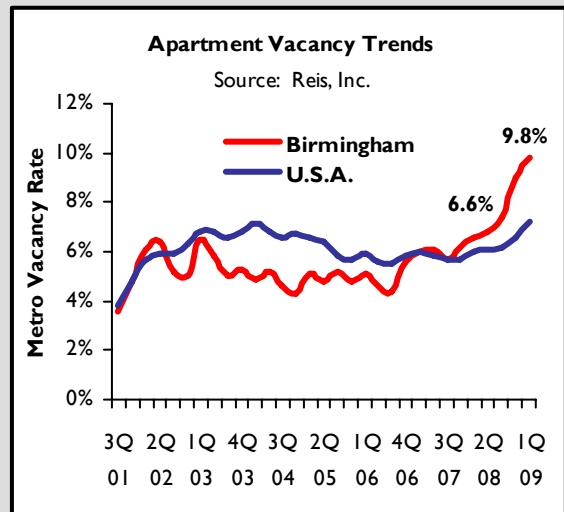
	Y-o-y change	Projected 2009
Vacancy (9.8% - 1Q09)	↑ 320bps	↑ 20bps
Effective Rents (\$667 - 1Q09)	↑ 1.4%	↓ 0.7%
Cap Rate (7.1% - 1Q09)	↑	↑
Employment (511.3m - 1Q09)	↓ 15.4m	↓ 18.3m

KEY POINTS

- Vacancy increased 80 basis points sequentially to 9.8% in 1Q09. On an annual basis, vacancy surged 320 basis points, largely due to weak demand. Only 570 units of supply were added during the year-ended in March, equal to a 1.4% increase in the apartment inventory.
- The average effective rent fell -0.6% sequentially to \$667 in 1Q09. As a result, the pace of year-over-year effective rent growth decelerated to 1.4%, the slowest rate recorded since 4Q05. Annual asking rent growth averaged 2.3% in 1Q09.
- According to the National Association of Realtors, the median price of a single-family home fell -14.9% year-over-year to \$130,400 in 1Q09. RealtyTrac.com calculate a 0.25% foreclosure rate in 1Q09, the 131st highest rate among the 203 metro areas tracked by the source.
- Apartment sales volume was light last year. Real Capital Analytics estimate sales volume of \$135 million in the year-ended in March, down -35% from the same period of 2008. Only one transaction involving properties priced above \$5 million was consummated in 1Q09.

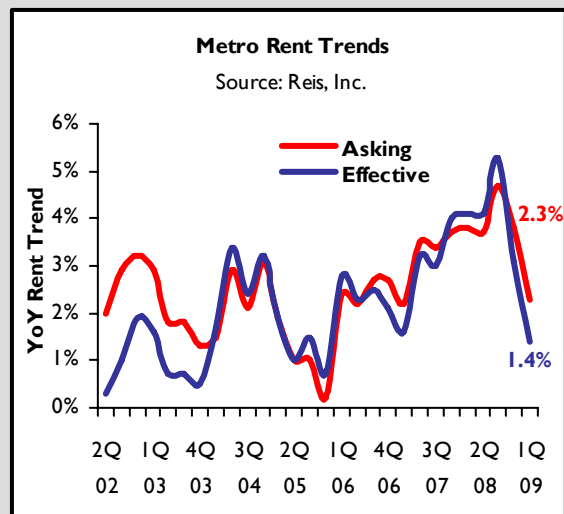
VACANCY TRENDS

- The metro vacancy rate increased 80 basis points sequentially to 9.8% in 1Q09, due to weak demand and increased supply. Negative net absorption totaled 178 units and developers completed 208 units from January to March.
- Tenants vacated 209 Class-A units in 1Q09, resulting in a 150 basis points increase in class vacancy from 8.9% in 4Q08 to 10.4% in 1Q09. Class B/C vacancy rose 60 basis points to 9.6% as supply (208 units) outpaced demand (32 units).
- Reis do not anticipate any completions for the remainder of the year. As a result, the service forecasts only a 20 basis point increase in vacancy by year-end. Furthermore, Reis predict strong demand to produce a 110 basis point improvement in vacancy next year.



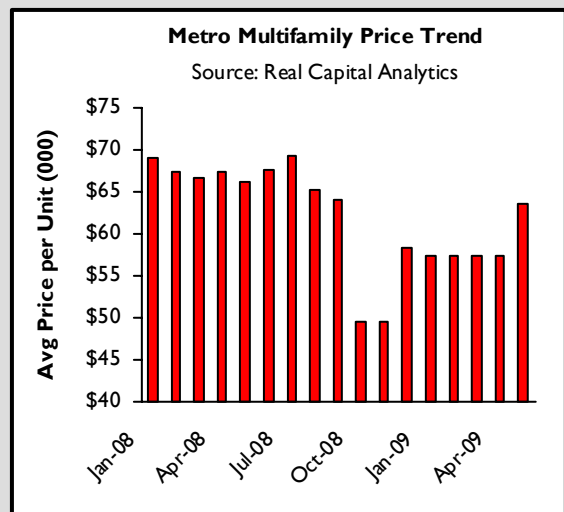
RENT TRENDS

- After reaching an apex of 5.3% in 3Q08, the pace of year-over-year effective rent growth slowed to 3.1% in 4Q08 and 1.4% in 1Q09. On a sequential quarter basis, the average effective rent declined for the second consecutive quarter, falling -0.6% from \$671 in December to \$667 in March.
- The average asking rent fell -0.3% quarter-over-quarter, owing largely to rent discounting among Class-A assets. The average Class-A asking rent decreased -0.7% from \$861 to \$855. By contrast, Class B/C average rent was unchanged at \$634. On a year-over-year basis, Class-A and Class B/C properties generated asking rent growth of 2.3% and 2.1%, respectively.
- Only one submarket (North) posted a year-over-year decrease in effective rent in 1Q09.



PROPERTY MARKET & CAP RATE TRENDS

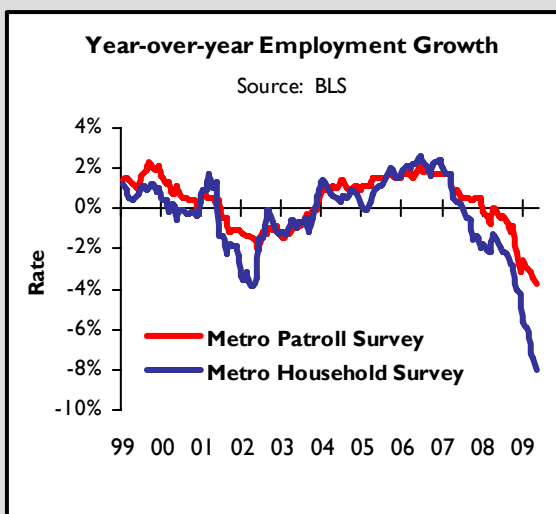
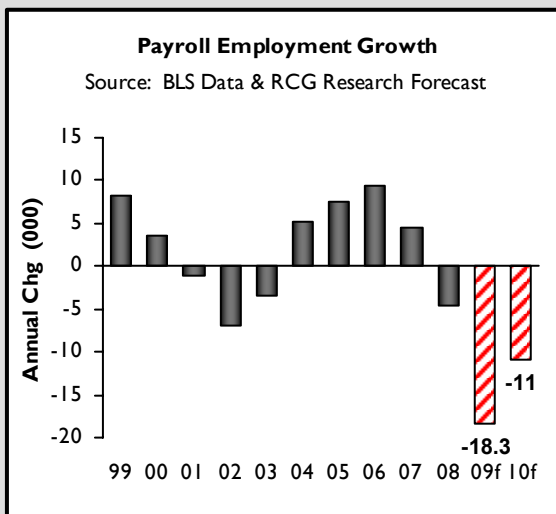
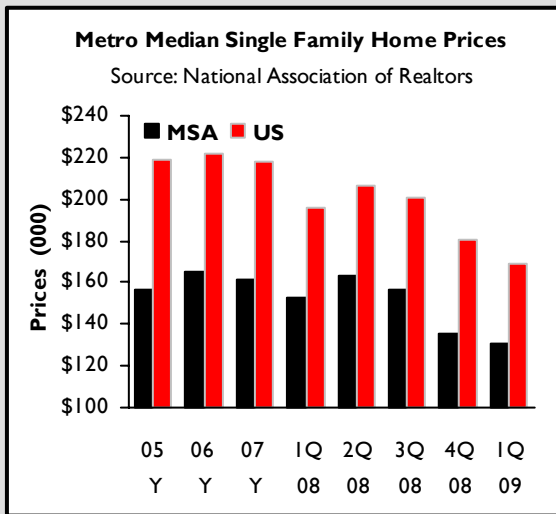
- According to Real Capital Analytics, sales volume fell -35% year-over-year to \$135 million in the twelve-month period ended in May. The average price was \$63,453 per unit and the average cap rate was 6.6%.
- Marcus & Millichap report a median price per unit of \$43,100 in the year-ended in March, down -5.0% from the previous period. The source report an average cap rate of 6.8%.
- At an assumed generic metro average cap rate of 7.5%, **RCR** calculate a 9.1% expected rate of total return. The metric compares favorably to the Atlanta total return of 5.5%.



COMMENT: Reis are optimistic regarding Birmingham NOI growth. The service forecasts a 1.9% compound average annual rent growth rate and a 480 basis point improvement in occupancy by YE 2013.

NOTABLE TRANSACTIONS

Property Name	Property Class	Date of Transaction	Total Price (in millions)	Price per unit	Estimated Cap Rate
Chapel Park	BC	January 2009	\$7.7	\$65,948	6.75%



DEMOGRAPHICS & HOUSING MARKET

- The population of the Birmingham - Hoover MSA increased 0.8% in 2008. Positive net domestic migration added 3,302 residents to the metro.
- According to the National Association of Realtors, the median price of a single-family MSA home fell -14.9% year-over-year to \$130,400 in 1Q09. By comparison, the MSA median price fell -13.3% year-over-year in the previous period.
- Birmingham registered a 1.1% year-over-year increase in the 1Q09 FHFA home price index.
- At 0.25%, the first quarter foreclosure rate was the 131st highest among the 203 markets tracked by RealtyTrac.com

EMPLOYMENT TRENDS

First Quarter 2009

- Metro economic conditions deteriorated sharply in 4Q08 and remained weak in the first quarter. On a seasonally-adjusted basis, payroll job attrition moderated from -8,500 jobs in 4Q08 to -5,200 in 1Q09. But measured on a non-seasonally adjusted year-over-year basis, the pace of job decline accelerated to -15,400 (-2.9%) in the first quarter from -11,000 (-2.1%) jobs in 4Q08.
- The largest over-the-year job declines were recorded in the construction, retail and business service sectors. Firms eliminated a combined -7,900 jobs year-over-year in 4Q08 and -10,600 year-over-year in 1Q09.
- Education and health service providers reduced payrolls in the first quarter, eliminating 500 positions year-over-year.

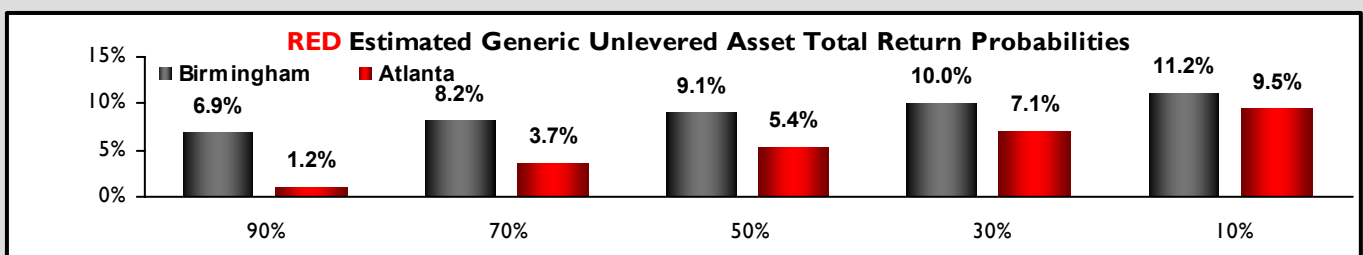
April and May

- Headline payroll cuts were even worse in April and May as -18,100 (-3.4%) and -19,600 (-3.7%) jobs were trimmed year-over-year, respectively.
- Job conditions in the aforementioned business service sector worsened, largely owing to layoffs among providers of professional, scientific and technical services.
- The metro unemployment rate rose from 3.8% in May 2008 to 8.7% in the same month this year.

Forecast

- RCR predict a -18,300 (-3.5%) payroll job decrease this year and a decline of -11,000 (-2.2%) in 2009.

COMMENT: Recent household survey data suggest that the Birmingham payroll count is a likely candidate for significant downward revision.

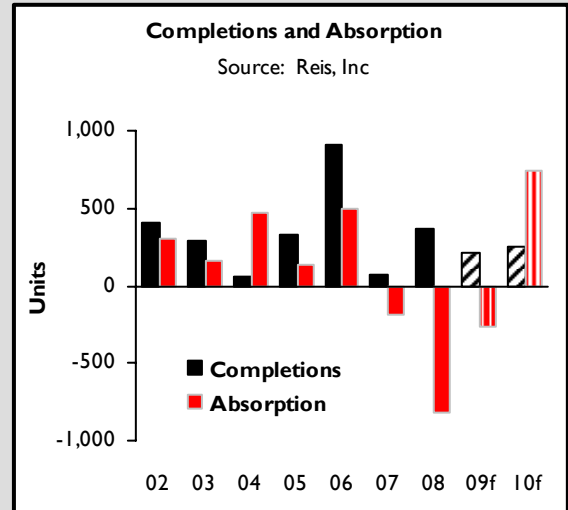


SUBMARKET TRENDS

Submarket	Effective Rent			Physical Vacancy		
	1Q08	1Q09	Change	1Q08	1Q09	Change
North	\$570	\$568	-0.3%	5.4%	6.9%	150 bps
East	\$726	\$740	1.9%	5.9%	7.8%	190 bps
South	\$718	\$725	1.0%	6.2%	9.8%	360 bps
Central	\$574	\$582	1.4%	8.6%	15.2%	660 bps
Metro	\$658	\$667	1.4%	6.6%	9.8%	320 bps

SUPPLY TRENDS

- Following an active 2006, supply trends remained relative modest in Birmingham. Developers completed only 77 units in 2007 and 363 units in 2008. According to a Reis construction report, only 240 units were completed in the first five months of 2009; no units were scheduled to open in the remainder of the year. On the other hand, one asset containing 258 units was under construction and slated for completion in June 2010.
- Absorption was robust in the 328-unit asset delivered in May 2008. The 81.4% occupancy rate reported in March reveals that the property leased an average of 27 units per month.
- Condo development was comparative active as six properties totaling 673 condo units were under construction in May. About half of the units are located in the Central submarket.



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Birmingham, AL



Multifamily Housing Update

May 2008

EXECUTIVE SUMMARY

The pace of year-over-year job formation decelerated sharply last year owing to reduced hiring among business service firms and government agencies. Metro job creation totaled 9,200 (1.8%) in 2006 and 4,900 (0.9%) in 2007. Despite slower employment growth, the metro unemployment rate continued to improve. The rate fell from 3.3% in 2006 to 3.2% in 2007.

Payroll trends last year appear robust relative to the metro's dismal performance in 1Q08. On a y-o-y basis, establishments added 200 positions; albeit against the strong over-the-year comparison of 8,900 new jobs created in 1Q07. Still, labor market weakness was undeniable. The unemployment rate rose to 3.6% in March, up from 2.9% in the same month last year.

Five major employment sectors noted net payroll attrition in 1Q08. Firms engaged in durable goods manufacturing, retail trade, information, finance and business services lost a combined 3,500 workers in 1Q08. By comparison, the sectors added 2,200 positions to payrolls in 1Q07.

On the bright side, education and health care providers posted solid job growth. Sector payrolls added a monthly average of 1,400 workers in 2007 and 1,200 in 1Q08. Expansion at UAB and area hospitals bode well for future hiring trends.

RED expect job growth to moderately improve over the forecast period. Our econometric payroll model generates point estimates of 1,000 (0.2%) new jobs this year and 4,000 (0.7%) jobs in 2009. Economy.com are more optimistic. The source forecasts job growth of 3,210 (0.6%) in 2008 and 21,780 (4.1%) in 2009.

Results from the residential market were mixed so far this year. Metro residential sales velocity fell 25% to

4,172 year-to-date through April, according to the University of Alabama Center for Real Estate. But prices were firm, rising 0.6% y-o-y to \$156,000 in April. In addition, the inventory of homes for sale fell 4.1% y-o-y in April to 12,365.

The metro occupancy rate fell 40 basis points sequentially to 93.5% in 1Q08. The decrease was attributable to negative net absorption of 172 units. The occupancy rate declined 50 bps y-o-y owing to weak tenant demand in the North and Central submarkets.

Rent trends were remarkably robust in 1Q08. The average effective rent rose 1.2% sequentially and 4.1% y-o-y to \$658. The annual rate of growth was the metro's fastest since 1997. Asking rents advanced at a moderately slower 3.9% y-o-y pace to \$688. The value of the average concession package remained a low 4.4% of asking rent. In the North submarket, the value of the average concession package was only 1.8% of asking rent or about 0.1 months free-rent on a twelve-month lease.

Reis expect occupancy to remain stable through year-end as owners sacrifice rent growth to maintain occupancy. The source forecasts effective rent growth to decelerate to 2.8% this year. Reis are somewhat more optimistic with regard to market conditions in 2009. The service anticipates a 10 basis point improvement in occupancy and effective rent growth of 3.1%.

At an assumed going-in yield of 6.2%, we estimate generic metro asset five-year holding period total returns of 9.2%. The market also boasts strong risk-adjusted returns, owing to low historic revenue growth volatility. Thus, **RED** assign an "Accumulate" rating for yield-oriented investors.

SNAP SHOT

	Y-o-y change	Projected 2008
Vacancy (6.5% - 1Q08)	↑ 50bps	↔ unch
Effective Rents (\$658 - 1Q08)	↑ 4.1%	↑ 2.8%
Cap Rate (N/A - 1Q08)	↔ N/A	↔ unch
Employment (529.8k - 1Q08)	↑ 0.2k	↑ 1.0k

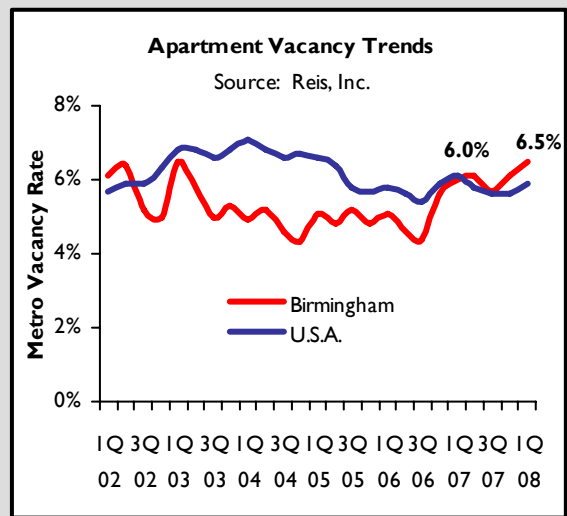
KEY POINTS

- The vacancy rate rose 40 basis points sequentially and 50 basis points y-o-y to 6.5% in 1Q08. The rate was the metro's highest in the 17-year Reis data history.
- Asking and effective rents increased 3.9% and 4.1% year-over-year, respectively in 1Q08. Both measure of rent rose 1.2% on a sequential quarter basis.
- According to the National Association of Realtors, the median price of a single-family MSA home fell 2.7% year-over-year to \$153,200 in 1Q08. The University of Alabama Center for Real Estate reports that total residential sales velocity fell 25% year-to-date.
- The rate of population growth decelerated from 1.1% in 2006 to 0.7% last year. The slowdown was attributable to reduced net domestic migration. The metro rate of homeownership fell 110 basis points from 76.1% in 2006 to 75.0% in 2007.
- **RED** assign a rating of *Accumulate* to Birmingham assets. The expected rate of total return and historic revenue growth volatility compare favorably to other markets in the region.

VACANCY TRENDS

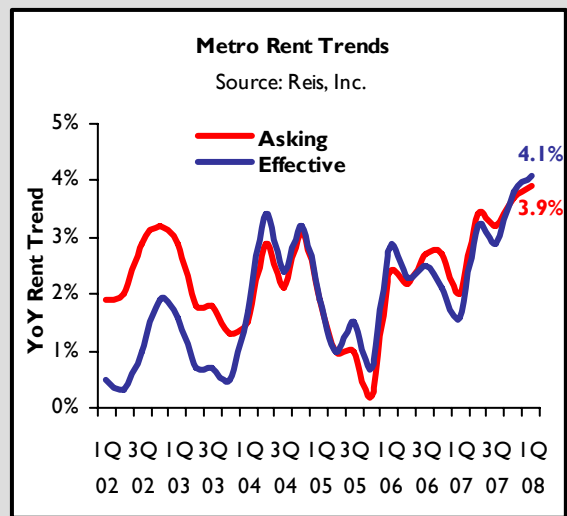
- The metro vacancy rate rose 40 basis points sequentially to 6.5% in 1Q08 due to negative net absorption of 172 units. There were no units completed in the period.
- In the twelve-months ended in March, negative net absorption totaled 128 units. Consequently, the metro vacancy rate rose 50 basis points from 6.0% in 1Q07 to 6.5%.
- Reis expect vacancy to remain unchanged through year-end due to solid apartment demand. Supply will remain limited as 363 units are slated for delivery this year. Net absorption is forecast to exceed supply in 2009, leading to a 10 basis point decrease in the metro vacancy rate.

COMMENT: Our vacancy model suggests that tenant demand will exceed the Reis forecast, resulting in lower than expect vacancy rates.



RENT TRENDS

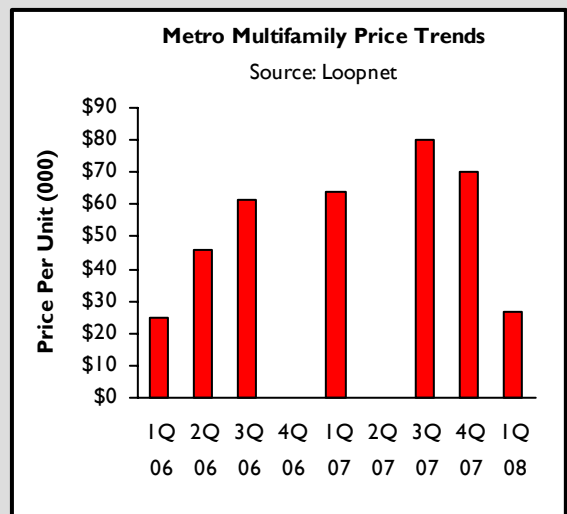
- Metro effective rents increased 1.2% sequentially and 4.1% year-over-year to \$658 in 1Q08. The latter was the fastest rate recorded since 1997.
- The East submarket posted a robust 5.1% annual gain to \$726.
- The average asking rent rose 1.2% sequentially and 3.9% year-over-year. The size of the average concession package in Birmingham was 4.4% of asking rent in 1Q08 as compared to the 5.1% US metro average.
- REIT data revealed slower same-store rent growth of 1.8% year-over-year. The source reported a 0.4% decrease quarter-over-quarter.
- Reis forecast effective rent growth of 2.8% in 2008 and 3.1% in 2009.



PROPERTY MARKET & CAP RATE TRENDS

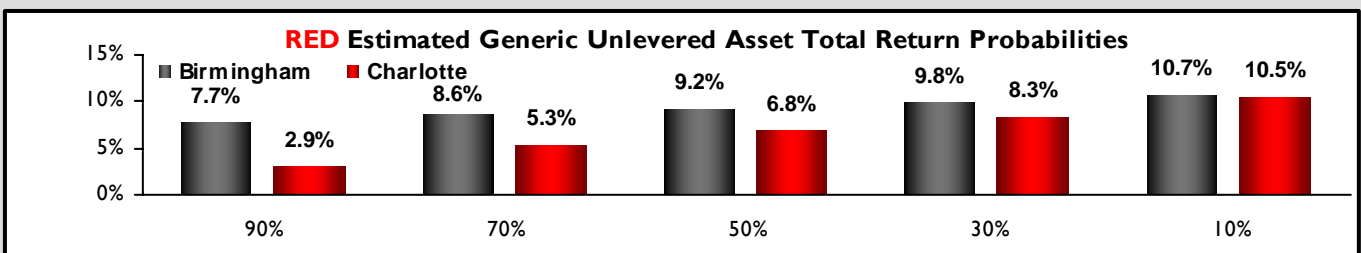
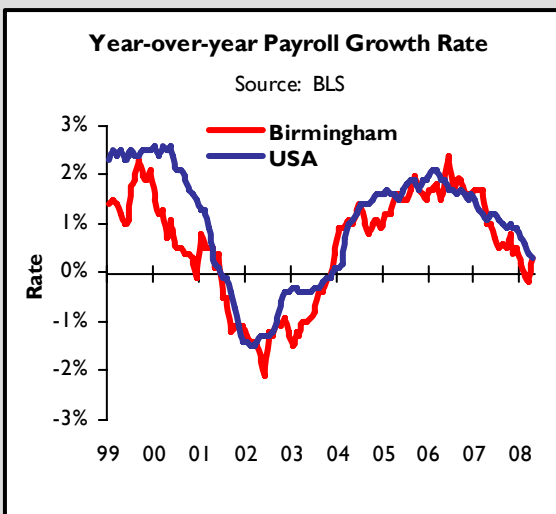
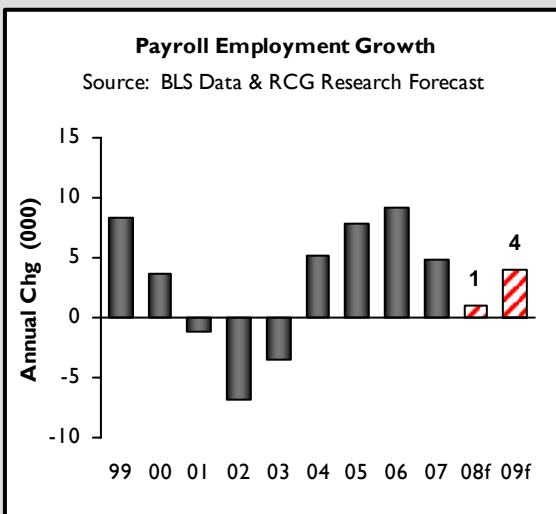
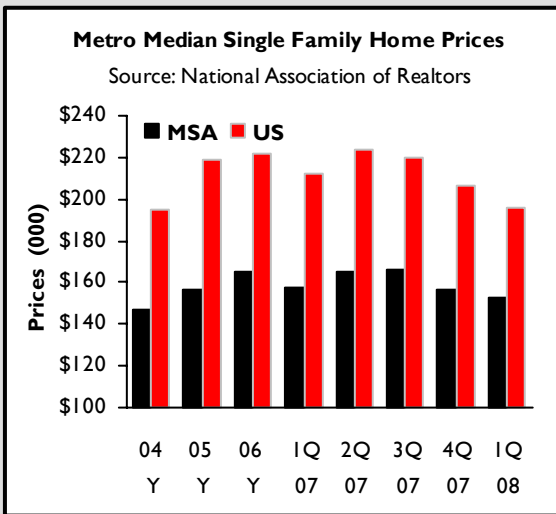
- Loopnet recorded three trades involving properties priced at or above \$2 million. Sales volume totaled \$18.4 million and the average price per unit was \$26,888.
- Real Capital Analytics report eight investor grade trades totaling \$93.1 million in the six-month period ended in March. The average price per unit was \$54,790, according to the source. Over the period, Loopnet count six trades totaling \$100 million in sales proceeds and an average price of \$54,248 per unit.
- According to Reis, the average cap rate was 5.4% in the six-month period ended in March. The metric compared to 6.5% in the same period in the previous year.

COMMENT: We estimate generic five-year holding period total returns of 9.2%, among the best in the country.



NOTABLE TRANSACTIONS

Property Name	Property Class	Date of Transaction	Total Price (in millions)	Price per unit	Estimated Cap Rate
Century Valley (Rehab Planned)	BC	January 2008	\$6.9	\$25,556	10.0%
Emerald Parc	BC	Current Listing	\$9.4	\$39,000	7.3%
Cardiff Cove	BC	Current Listing	\$6.3	\$44,643	5.8%



DEMOGRAPHICS & HOUSING MARKET

- Population growth cooled from 1.1% in 2006 to 0.7% last year. Slower net domestic migration was largely to blame.
- The National Association of Realtors report a 2.7% decrease in the metro median single-family home price from \$157,500 in 1Q07 to \$153,200 in 1Q08. According to the University of Alabama Center for Real Estate, the median home (single-family and condo) price rose 0.6% y-o-y to \$156,000 in April.
- Birmingham registered a 3.7% year-over-year increase in the OFHEO home price index. The metric ranked 65th among the 292 markets tracked by the source.
- Residential permit issuance rose 40.3% as permits for 9,478 units were pulled in the twelve months ended in April. The increase was attributable to a spike in single-family permit issuance in January.

EMPLOYMENT TRENDS

Past 12 Months

- Establishment payrolls expanded at a sharply slower rate last year as compared to 2006. A net of 4,900 (0.9%) jobs were created in 2007, down from 9,200 (1.8%) in the previous year.

First Quarter 2008

- The pace of annual job growth decelerated as 200 jobs were added in 1Q08, against strong year-over-year comparisons. Net payroll formation totaled 8,900 (1.7%) in the same period last year.
- Attrition among business service firms was partially to blame. Super sector headcounts rose 1,300 year-over-year in 1Q07 but fell 1,100 in 1Q08. Likewise, durable goods producers added 700 positions in 1Q07 but cut 1,000 jobs in 1Q08.
- Transportation and warehousing employers added jobs at a slower rate. After hiring 800 workers in 1Q07, sector job creation slowed to 200 in 1Q08.
- Construction sector establishments hired 700 workers year-over-year in 1Q08, down from the 1,300-job gain in 4Q07. The outlook for the sector is uncertain. According to MCGraw-Hill, contracts for future nonresidential construction fell 20% year-to-date through April. Similarly, residential contracts decreased 47% to \$242.9 million. On the other hand, a spike in residential permit activity in January portends well for sector employment.

Forecast

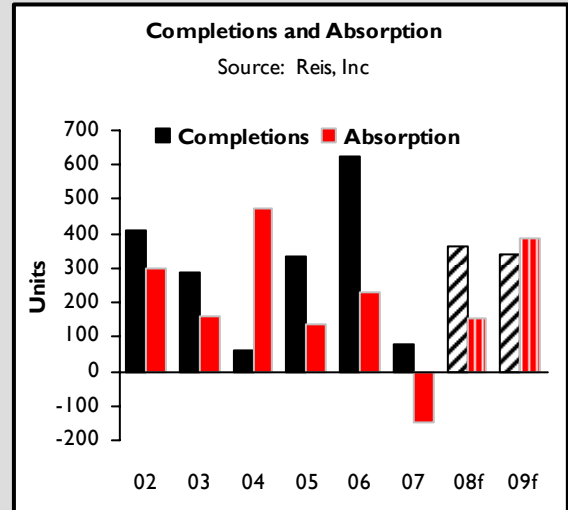
- **RED** expect job creation to reach 1,000 (0.2%) this year and 2,000 (0.4%) in 2009. Our confidence intervals range from no growth to 2,000 (0.4%) new jobs in 2008 and from 2,000 (0.4%) to 5,000 (0.9%) new jobs in 2009.

SUBMARKET TRENDS

Submarket	Effective Rent			Physical Vacancy		
	1Q07	1Q08	Change	1Q07	1Q08	Change
North	\$549	\$570	3.8%	4.2%	5.4%	120 bps
East	\$691	\$726	5.1%	6.2%	5.9%	-30 bps
South	\$698	\$718	2.9%	5.5%	6.2%	70 bps
Central	\$547	\$574	4.9%	7.9%	8.6%	70 bps
Metro	\$632	\$658	4.1%	6.0%	6.5%	50 bps

SUPPLY TRENDS

- No units were completed in 1Q08, marking the third consecutive quarter without supply. Reis expect 363 unit deliveries by year-end, all but 35 units are slated for completion in the East submarket.
- An additional 340 apartment units are scheduled to come on-line in 2009. Of these, 258 are located in the East submarket and the remaining 82 units will be delivered in the North submarket.
- Reis count 666 condo units under construction and 606 units in the planned or proposed phase as of May. The Central submarket is the most popular location for condo development. Of the 1,272 condo units in the development pipeline, 801 condo units are located in the Central submarket.



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