Charleston, South Carolina

Multifamily Housing Update 2Q13 October 2013

Payroll Job Summary	
Total Payrolls	310.6m
Annual Change	2.9m(.%)
2013 Forecast	3.3m
2014 Forecast	7.3m
2015 Forecast	7.6m
2016 Forecast	4.4m
Unemployment	6.7% (July)

2Q13 Payroll Trends and Forecast

Charleston establishments hired at a steady pace during the second quarter, adding workers at a 2,900-job, 1.0% annual rate, on par with the prior quarter's 3,000-job, 1.0% performance. Governments remained the principal economic driver, expanding headcounts at a 1,700-job, 2.8% pace, equaling first quarter results. By contrast, business and professional services continued to act as a drag on overall payroll growth as sector concerns trimmed payrolls at a 2,600-job, -5.6% year-on-year rate, up from 1Q13's 3,400-job attrition.

The third quarter got off to a strong start, helped by improved conditions in the business services and faster hiring among retail and leisure service firms. Seasonally adjusted data indicate that the metro added 2,200 jobs in July and August, augmenting June's 6-year high 1,900-job advance.

Charleston's heavy government/defense component make it difficult to model. Having said this, our 88.0% adj-R^2 model is relatively optimistic for the future. After a sluggish second-half 2013, the model projects job gains in the mid-2% range for 2014 and 2015, and slower but positive results for the forecast out-years.

Occupancy Rate Summary	
Occupancy Rate (Reis)	95.7%
RED 50 Rank	NA
Annual Chg. (Reis)	0.8%
RCR YE13 Forecast	94.2%
RCR YE14 Forecast	94.4%
RCR YE15 Forecast	95.8%
RCR YE16 Forecast	95.7%

2Q13 Absorption and Occupancy Rate Trends

Fueled by strong space demand and thin supply Charleston occupancy continued to increase at a brisk clip during the spring. Reis report a 95.7% 2Q13 average occupancy rate, up 40 basis points sequentially and 80 bps year-over-year. Tenants absorbed a net of 112 units during the period, up from 46 in 1Q13, but down moderately from 155 units in the year-earlier period. There was no new supply for the third consecutive quarter.

Charleston experienced a four-quarter period without supply, but the respite is about to come to an end. Reis expect developers to deliver 883 units in 2H13 and 1,702 units in 2014, representing an 11.7% increase. Mt. Pleasant and Hanahan will bear the brunt as inventories are projected to grow 33% and 12%, respectively, by YE15.

In the short run, supply will cause market occupancy to decline sharply. RCR absorption and supply models forecast that occupancy is likely to fall below 94% next winter. But conditions should improve dramatically in 2H14, setting the stage for a rally to 96% or higher in 2015 and 2016.

Effective Rent Summary	
Mean Rent (Reis)	$803
Annual Change	2.9%
RED 50 Rank	NA
RCR YE13 Forecast	3.1%
RCR YE14 Forecast	3.2%
RCR YE15 Forecast	3.2%
RCR YE16 Forecast	2.0%

2Q13 Effective Rent Trends

Following 1Q13's unusually small $1 (0.1%) sequential quarter advance, effective rent trends rebounded during the spring, rising $6 (0.8%) to $803. By contrast, year-over-year comparisons continued to decelerate, falling to a 6-quarter lowest 2.9%; down from 3.5% in 1Q13 and 4.7% in 4Q12. Axiometrics surveys of larger properties found an $874 average effective rent for stabilized same-store properties, up 4.2% sequentially and 4.1% y-o-y, following two sluggish quarters.

Axiometrics data suggest that Mt. Pleasant properties recorded the fastest 2Q13 rent growth, rising at a 6.2% annual rate to a $1,100 average. Airport and Berkley Co. properties posted below average growth. Reis data were largely consistent.

RCR's first Charleston rent model is surprisingly strong given the short data history for the metro with an adjusted R^2 of 93.1%. The equation produces a forecast of faster rent growth in the next two years, propelled by delivery of higher rent new properties, followed by a gradual deceleration to the mid-2% area in 2H15 and 2016.

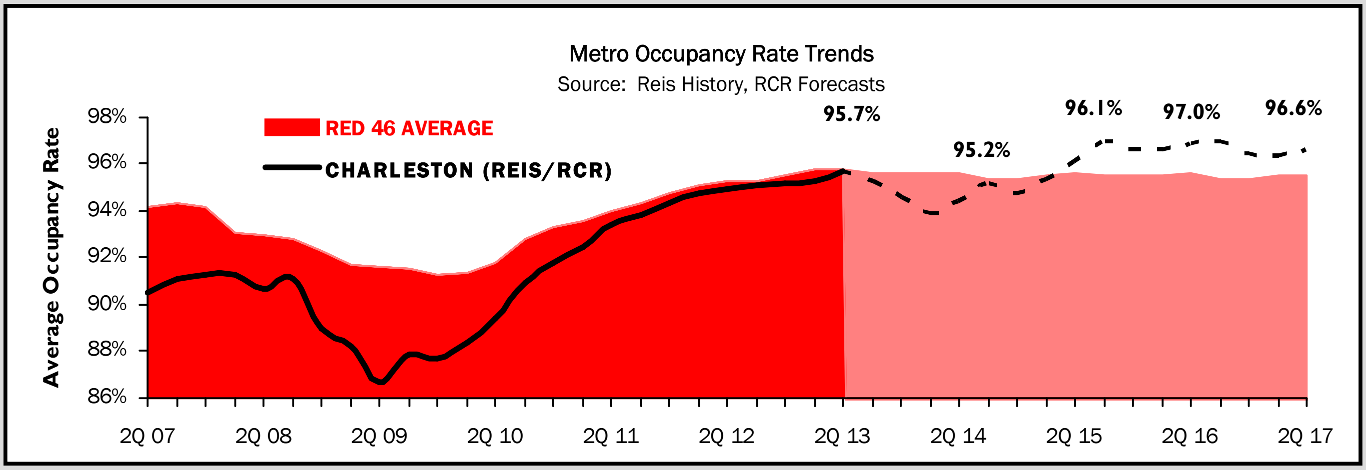
Trade & Return Summary	
$3mm+ Sales	1
Approx. Proceeds	$27.3mm
Avg. Cap Rate (FNM)	5.6%
Avg. Price/Unit	$95,114
Expected Total Return	6.8%
RED 46 ETR Rank	NA
Risk-adjusted Index	NA
RED RAI Rank	NA

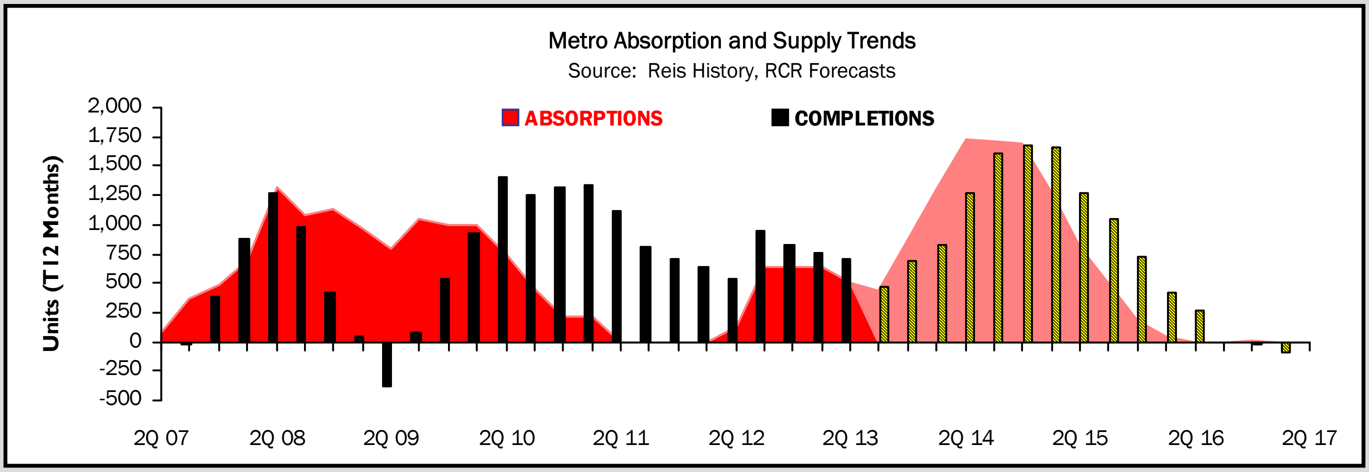
2Q13 Property Markets and Total Returns

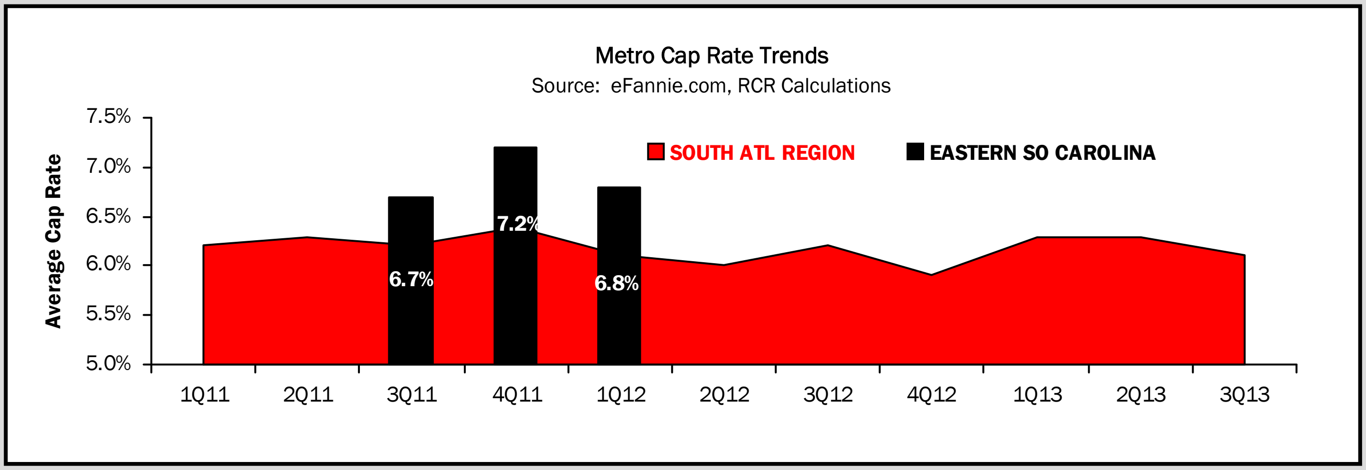
After a quiet first quarter when only one property valued at $3 million or more exchanged hands trade gained momentum in the late spring and summer. Sales of four properties closed from May to August for total proceeds of $94.9 mm. Prices equated to an average of $95,114 per unit, boosted by the sale of a recent construction Daniel Island property that transacted at an $175,000 per unit average price. We estimate that the investor will enjoy a yield near 6% at current rents when the property stabilizes at 95% occupancy.

We estimate that cap rates for recent construction class-B+/A properties fall in the mid– to high-5% area. Older class-B assets were valued at going in yields in the low– to mid-6% range.

RCR are of the mind that investment quality assets can be acquired at a 6.25% going-in yield. Using this purchase assumption and model derived rent, occupancy and terminal cap rate (7.0%) cap rate forecasts, we derive an expected annual total return of 6.8%, slightly higher than the 6.6% average of the RED 46.

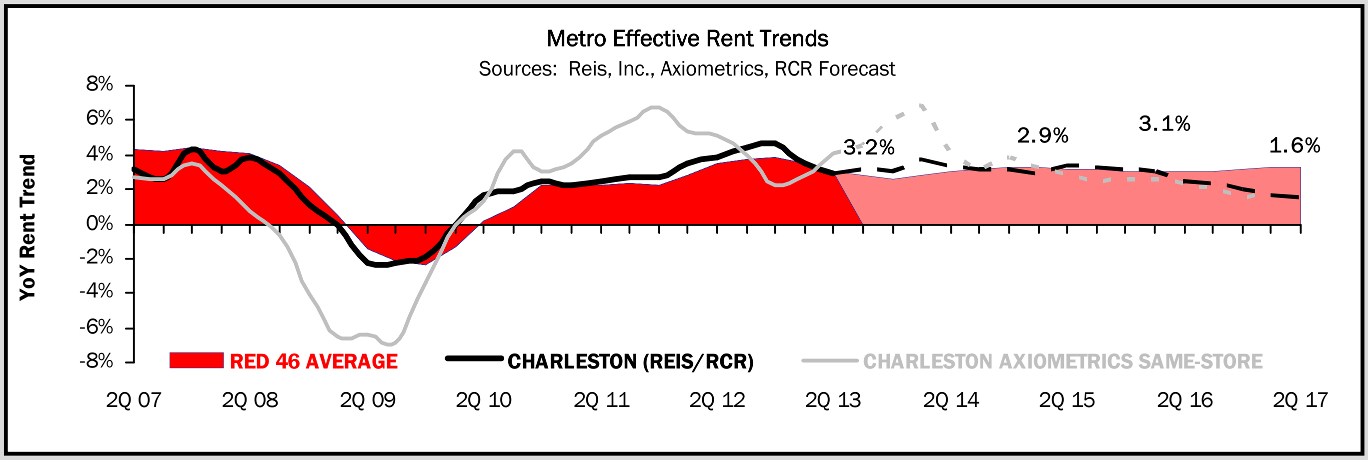




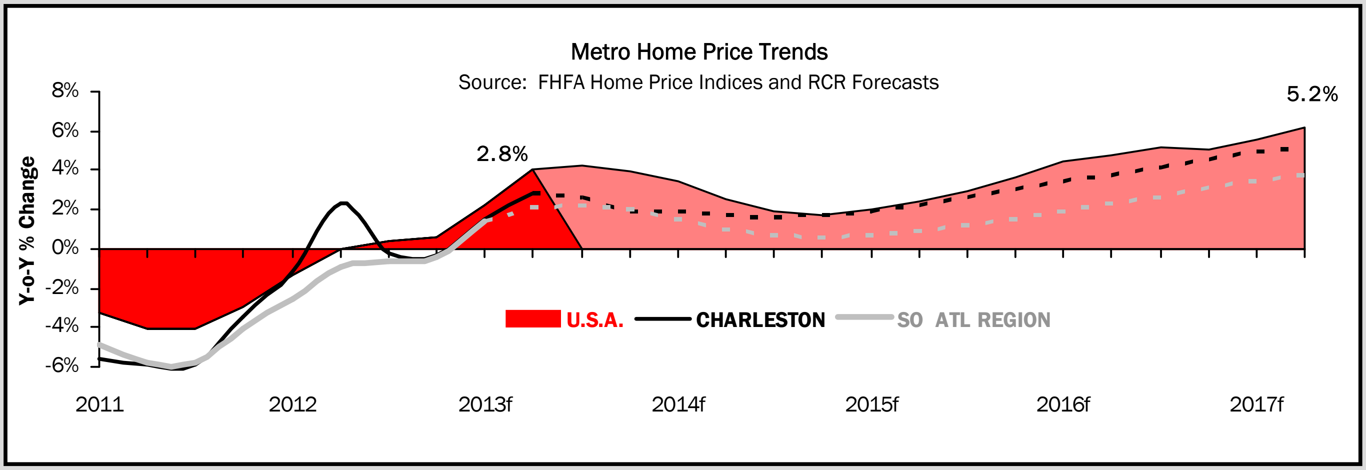


NOTABLE TRANSACTIONS

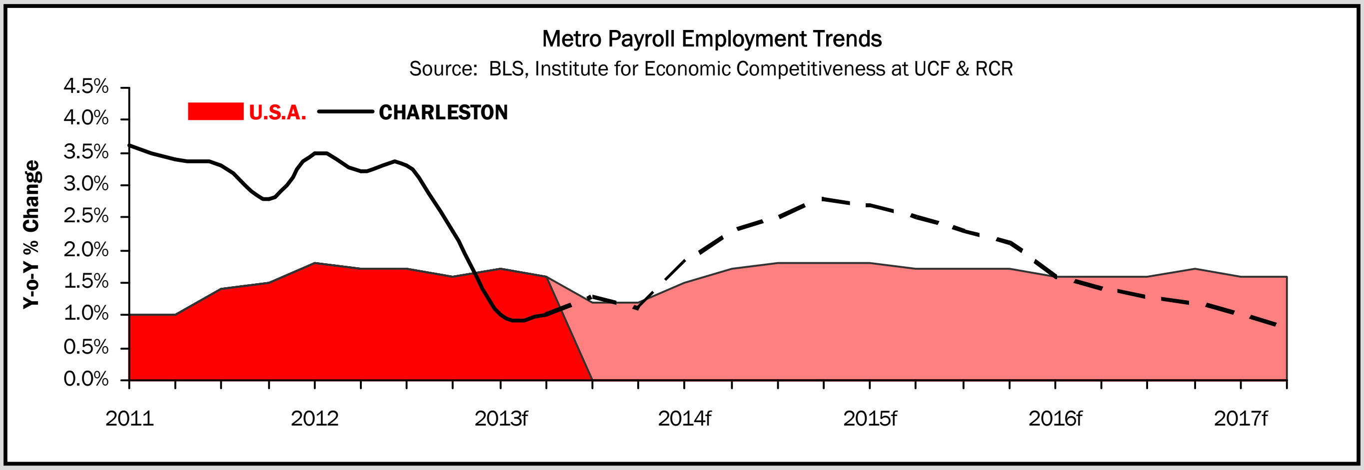
Property Name (Submarket)	Property Class/ Type (Constr.)	Date of Transaction	Total Price (in millions)	Price per unit	Estimated Cap Rate
Saint James Goose Creek (Berkeley Co.)	B / GLR (2009)	19-May-2013	$27.3	$111,680	5.6%
Summerville Station (Berkeley Co.)	B-/GLR (1979)	23-Jul-2013	$12.3	$61,250	5.9%
Saint James Crossing (Airport/No Charl.)	C/GLR (1978)	15-Aug-2013	$7.3	$26,157	3.9%
Talison Row (Daniel Island / In Lease-up)	A+/GLR (2012)	28=Aug-2013	$48.1	$175,547	1.7%/5.9% p.f.



Metro Effective Rent Trends
Sources: Reis, Inc., Axiometrics, RCR Forecast
YoY Rent Trend
8%
6%
4%
2%
0%
-2%
-4%
-6%
-8%
3.2%
2.9%
3.1%
1.6%
RED 46 AVERAGE
CHARLESTON (REIS/RCR)
CHARLESTON AXIOMETRICS SAME-STORE
2Q 07
2Q 08
2Q 09
2Q 10
2Q 11
2Q 12
2Q 13
2Q 14
2Q 15
2Q 16
2Q 17



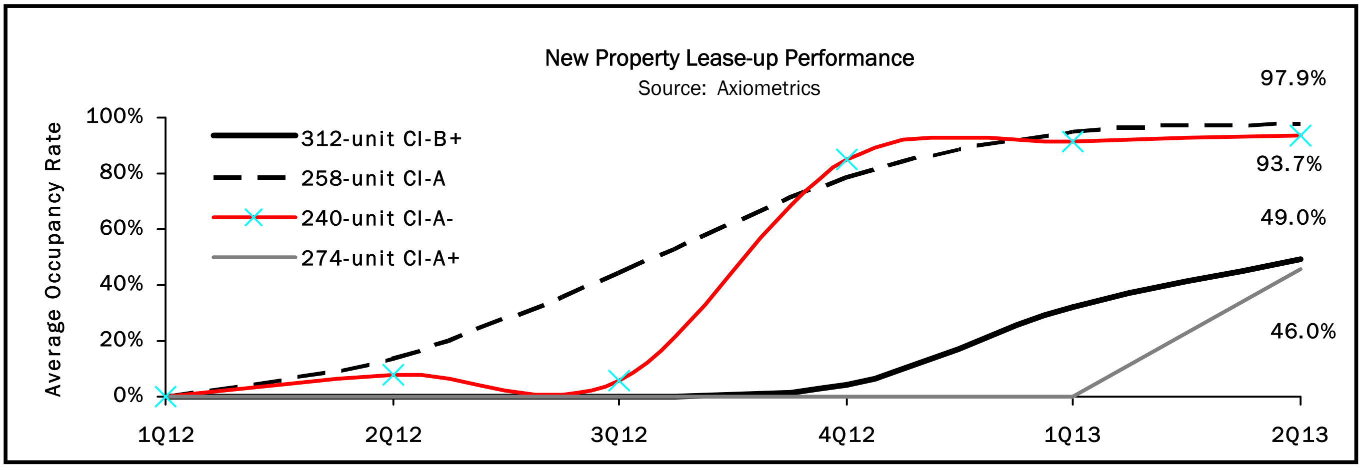
Metro Home Price Trends
Source: FHFA Home Price Indices and RCR Forecasts
Y-o-Y % Change
8%
6%
4%
2%
0%
-2%
-4%
-6%
2.8%
5.2%
U.S.A.
CHARLESTON
SO ATL REGION
2011
2012
2013f
2014f
2015f
2016f
2017f



Metro Payroll Employment Trends
Source: BLS, Institute for Economic Competitiveness at UCF & RCR
Y-o-Y % Change
4.5%
4.0%
3.5%
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
U.S.A.
CHARLESTON
2011
2012
2013f
2014f
2015f
2016f
2017f

SUBMARKET TRENDS

Submarket	Effective Rent			Physical Vacancy		
	2Q12	2Q13	Change	2Q12	2Q13	Change
Airport / North Charleston	$744	$749	1.1%	4.9%	4.1%	-80 bps
Central Charleston	$815	$834	3.3%	3.1%	2.5%	-60 bps
Hanahan / North Charleston	$728	$740	2.6%	8.3%	6.9%	-140 bps
Mount Pleasant	$962	$1,002	4.9%	4.3%	4.0%	-30 bps
Metro	$780	$803	2.9%	5.1%	4.3%	-80 bps



RED CAPITAL GROUP

For more information about RED's research capabilities contact:

Daniel J. Hogan, Director of Research
djhogan@redcapitalgroup.com
614-857-1416

James P. Hensley, Senior Managing Director
Head of Mortgage Originations
jphensley@redcapitalgroup.com
800-837-5100

Two Miranova Place_Columbus, Ohio_43215
1.614.857.1400_toll free 800.837.5100_f 614.857.1660
www.redcapitalgroup.com

Charleston, SC

Multifamily Housing Update 2Q12 August 2012

Payroll Job Summary	
Total Payrolls	301.2m
Annual Change	4.0m
2012 Forecast	4.3m
2013 Forecast	2.5m
2014 Forecast	5.5m
2015 Forecast	7.3m
Unemployment	8.5% (June)

2Q12 Payroll Trends and Forecast

The pace of metro payroll job formation moderated during the second quarter, slowing from 1Q's vigorous 6,500-job, 2.2% year-over-year pace to a 4,000 (1.3%) job gain. Weakness in the leisure services sector was largely responsible, weighed down by attrition in the entertainment and recreation component. Softness in the leisure service component likely contributed to a 150 basis point increase to 8.5% in the metro unemployment rate from April to June.

By contrast, hiring by manufacturers, retailers and transportation concerns continued at a brisk pace. Collectively, the foregoing industries expanded employment at a 4,300-job, 6.3% annual rate during 2Q12, demonstrating strength in the non-tourism related segments of the economy.

The RCR payroll model expects Charleston establishments to continue to add staff at an approximate 1.5% annual rate during 2H12. Tepid U.S. and global growth is projected to hold down job creation next year but significantly better economic conditions in 2014 should lead to faster hiring.

Vacancy Rate Summary	
Vacancy Rate (Reis)	5.1%
RED 50 Rank	NA
Annual Chg (Reis)	<1.5%>
Reis YE12 Forecast	4.3%
Reis YE13 Forecast	4.4%

2Q12 Absorption and Vacancy Rate Trends

Metro households absorbed a net of 273 units during the first six months of 2012, up from 259 units during the prior six-month period. Occupancy increased 50 basis points from December to June to 94.9%, constrained by the delivery of 136 units during the second quarter. Occupancy was up nearly 800 bps at mid-year relative to the same period of 2009 and currently stands as the highest among the larger metro areas in the region.

The Central Charleston submarket recorded the highest 2Q12 occupancy, posting a 96.9% average, up 220 bps year-over-year. Tenants leased 181 Central units over the period against no new supply. Conversely, occupancy in the North Charleston area declined under supply pressure, falling 50 bps sequentially to a metro low 91.7%.

Reis expect occupancy to increase 80 bps by year-end to 95.7%, which would constitute a new record, and continue to rise for at least two more years. Supply is expected to become a larger impediment to occupancy growth, however, as 818 units are projected for 2013, and 842 for 2014.

Effective Rent Summary	
Mean Rent (Reis)	$780
Annual Change	3.9%
RED 50 Rank	NA
Reis YE12 Forecast	4.6%
Reis YE13 Forecast	2.8%

2Q12 Rent Trends

Average asking and effective rents increased $16 and $20, respectively, over the course of the first six months of 2012 to $801 and $780, representing gains of 2.5% and 2.6%. Expressed on a year-over-year basis, metro asking rents increased 3.0%, while effective rents surged 3.9%. By way of comparison, average growth rates among the top 50 U.S. metro markets were 2.6% and 3.4%.

Sequential quarter effective rent growth averaged 1.2% as submarkets recorded gains ranging from 0.6% (Central) to 2.7% (Mount Pleasant). Properties in North Charleston recorded a third consecutive quarter of 1.0% or faster average effective rent increases, in this case rising $14 or 1.9%.

The near-term rent growth outlook is constructive as the market tightens and properties delivered over the past few years begin to realize the benefits of strong class-A demand. Reis anticipate that effective rent will rise another $15 (1.9%) by year-end, producing a 12-year high 4.6% full-year advance. The service foresees slower going thereafter, however, averaging 2.1% from 2013 to 2016.

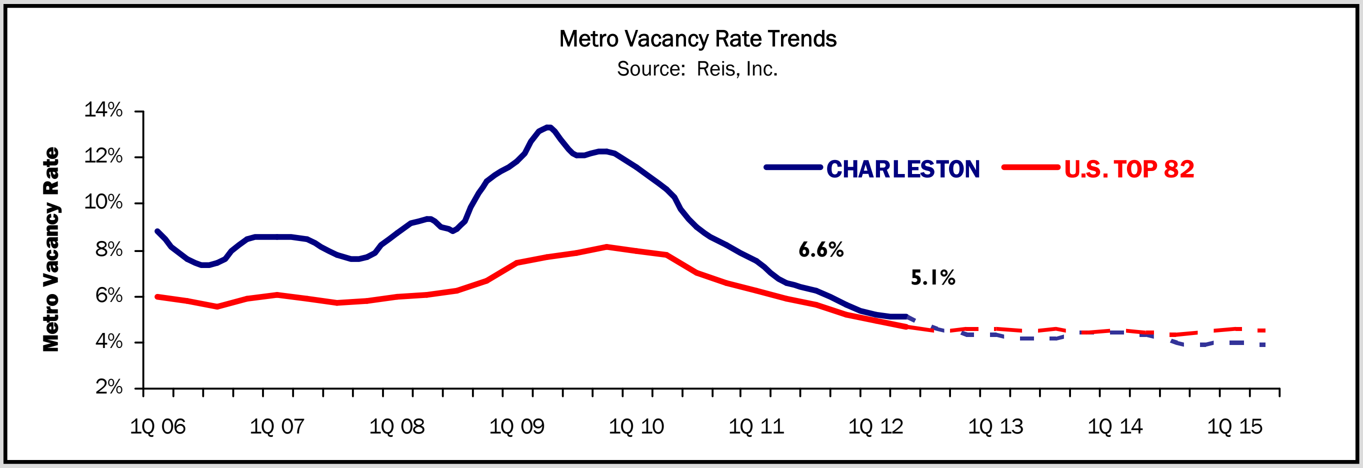
Trade & Return Summary	
$5mm+ YTD Sales	2
Approx. Proceeds	$61.2mm
Median Cap Rate	6.2%
Avg. Price/Unit	$103,345
Expected Total Return	8.1%
Purchase Cap Rate	6.0%
Exit Cap Rate	6.5%
Forecast Basis	Reis

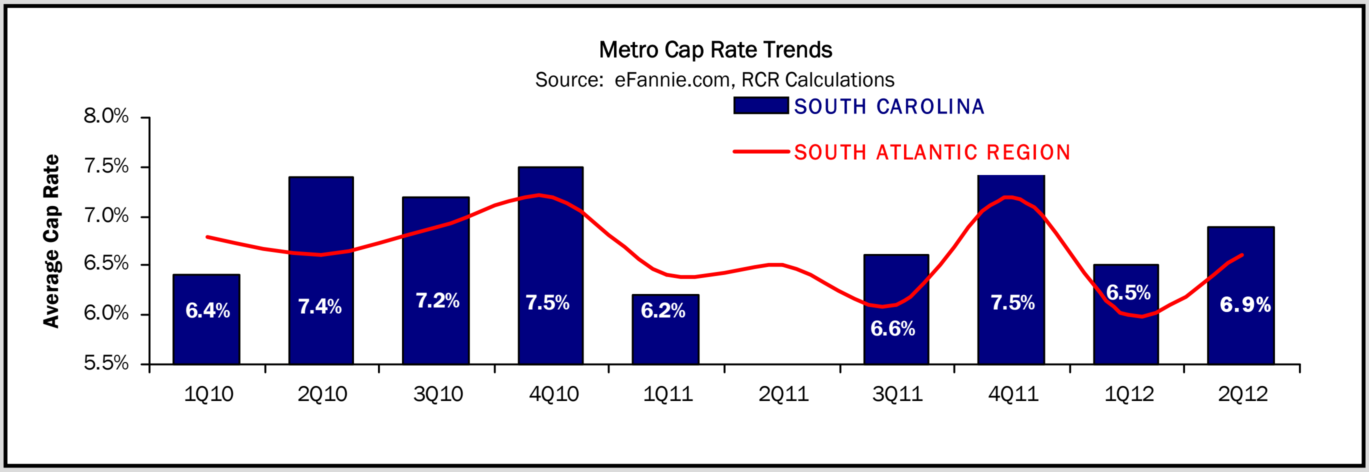
2012 YTD Property Markets and Total Returns

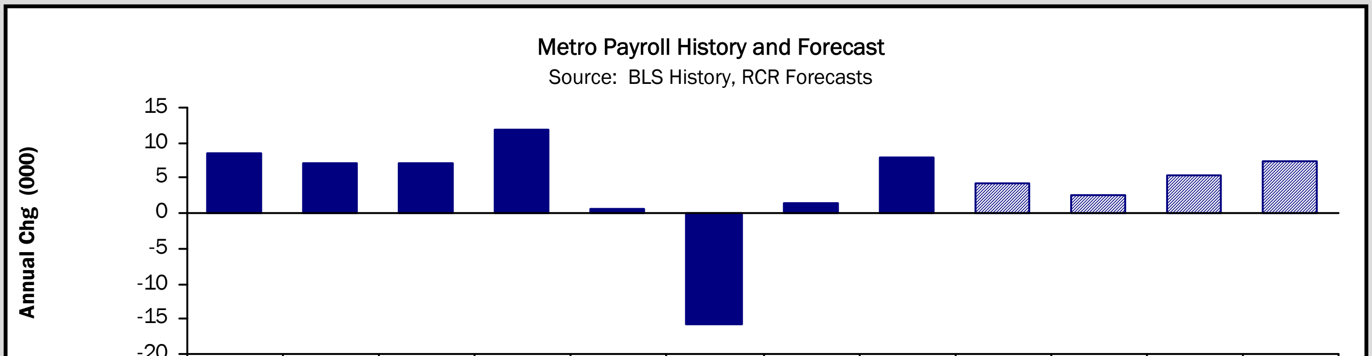
Although investor interest in Charleston properties is keen, transaction activity proceeded at a measured pace. Only two investment grade properties traded during 2011 for total proceeds of $46 million or $89,844 per unit. There were as many trades recorded during the first seven months of 2012 as two recent construction properties valued at $61.2mm exchanged hands. The assets traded at an average price per unit of $103,343.

We estimate cap rates for the two 2012 transaction in the low-6% area. Going-in yields of comparable 2011 transactions fell in the high-5% range.

Employing 6.0% purchase and 6.5% terminal cap rate assumptions; a five-year holding period; and Reis metro occupancy and rent forecasts, we estimate that an investor would expect to achieve a 8.1% total return from a generic Charleston metro asset. This metric compares favorably to the national metro average, irrespective of Reis's relatively cautious out-year rent growth expectations.



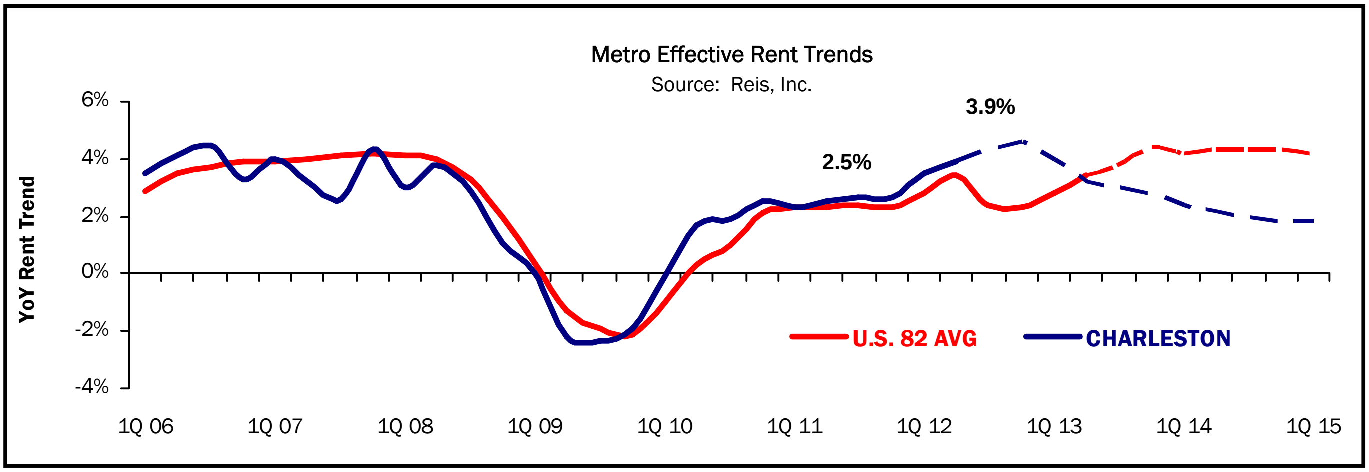


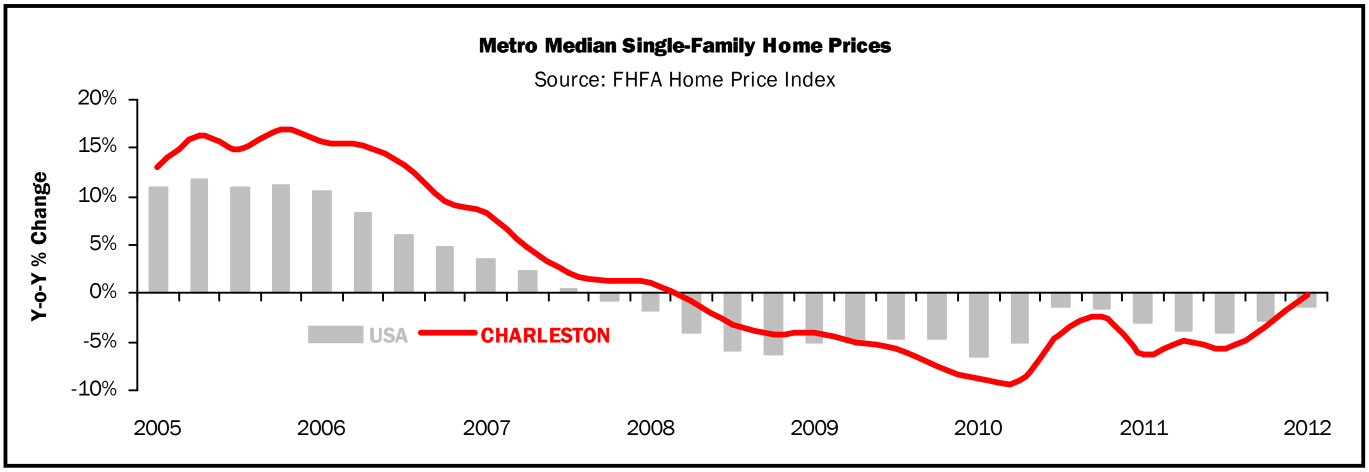


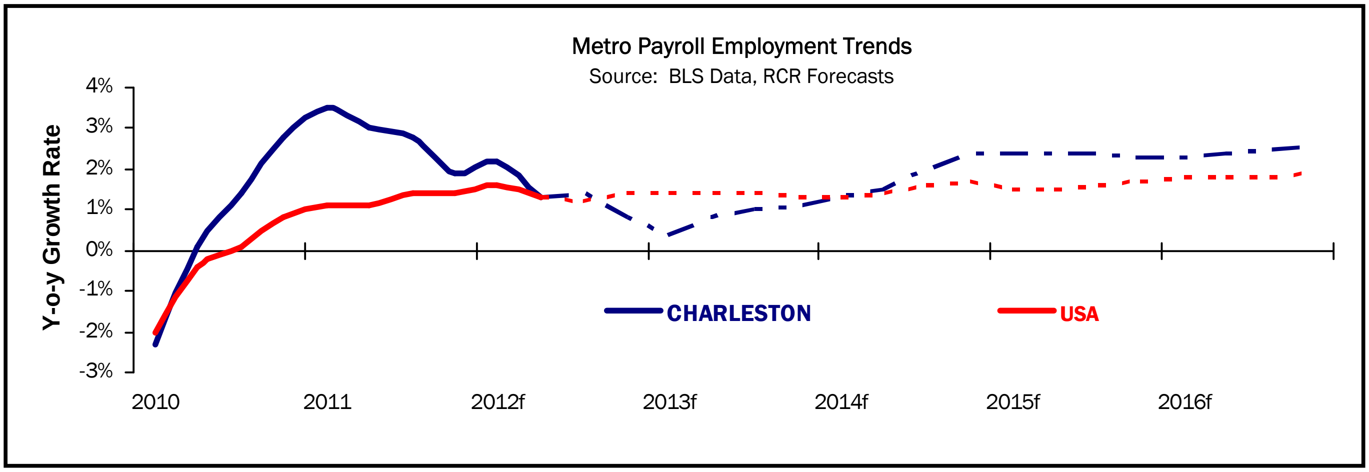
	2004	2005	2006	2007	2008	2009	2010	2011	2012f	2013f	2014f	2015f
CHRLSTN	8.5	7.2	7.1	11.9	0.6	(15.7)	1.4	8.0	4.3	2.5	5.5	7.3

NOTABLE TRANSACTIONS

Property Name (Submarket)	Property Class/ Type (Constr)	Date of Transaction	Total Price (in millions)	Price per unit	Estimated Cap Rate
Edgewater Plantation (Mount Pleasant)	A / GLR (2001)	31-Jul-2012	$42.7	$118,556	6.2%
Tradition Summerville (North Charleston)	A- / GLR (2004)	17-Apr-2012	$18.5	$79,741	6.1%


Metro Effective Rent Trends
Source: Reis, Inc.
YoY Rent Trend
6%
4%
2%
0%
-2%
-4%
3.9%
2.5%
U.S. 82 AVG
CHARLESTON
1Q 06
1Q 07
1Q 08
1Q 09
1Q 10
1Q 11
1Q 12
1Q 13
1Q 14
1Q 15


Metro Median Single-Family Home Prices
Source: FHFA Home Price Index
Y-o-Y % Change
20%
15%
10%
5%
0%
-5%
-10%
USA
CHARLESTON
2005
2006
2007
2008
2009
2010
2011
2012


Metro Payroll Employment Trends
Source: BLS Data, RCR Forecasts
Y-o-y Growth Rate
4%
3%
2%
1%
0%
-1%
-2%
-3%
CHARLESTON
USA
2010
2011
2012f
2013f
2014f
2015f
2016f

SUBMARKET TRENDS

Submarket	Effective Rent			Physical Vacancy		
	2Q11	2Q12	Change	2Q11	2Q12	Change
Airport / North Charleston	$720	$744	2.6%	6.0%	4.9%	-110 bps
Central Charleston	$788	$815	3.4%	5.3%	3.1%	-220 bps
Hanahan / North Charleston	$692	$728	5.2%	8.9%	8.3%	-60 bps
Mount Pleasant	$925	$963	4.1%	6.9%	4.3%	-260 bps
Metro	**$751**	**$780**	**3.9%**	**6.6%**	**5.1%**	**-150 bps**

RED CAPITAL GROUP

For more information about RED's research capabilities contact:

Daniel J. Hogan, Director of Research
djhogan@redcapitalgroup.com
614-857-1416

Kenneth H. Bowen, President, Red Mortgage Capital, LLC
khbowen@redcapitalgroup.com
800-837-5100

RED CAPITAL GROUP

Two Miranova Place_Columbus, Ohio_43215
1.614.857.1400_toll free 800.837.5100_f 614.857.1660
www.redcapitalgroup.com

Charleston, South Carolina

Multifamily Housing Update 3Q11 December 2011

Payroll Job Summary

Total Payrolls:	288.3m
Annual Change:	+3.8m
2011 Forecast	+1.1m
2012 Forecast	+4.6m
2013 Forecast	+5.7m
Unemployment	8.5% (Oct)

3Q11 Payroll Trends and Forecast

Local employers ramped up hiring this year, adding a monthly year-over-year average of 4,000 (1.4%) jobs in the first ten months of 2011. Unfortunately, the gains were largely front-loaded. Indeed after starting the year hot — payrolls expanded 5,500 (2.0%) year-over-year in 1Q11 — job growth cooled to a modest 2,700 (0.9%) in the twelve-month period ended in October. Likewise, seasonally-adjusted job growth totaled 2,700 jobs in the first quarter of 2011 but headcounts fell –800 jobs in the following seven months.

According to the BLS's household survey, the metro unemployment rate fell to 8.5% in October, down from 9.1% in the same period last year. Employment gains were responsible. Total employment rose 4,360 (1.5%), outpacing the increase in the labor force (2,674) in the year-ended in October.

Economy.com are optimistic about near-term job prospects. The source foresees employment gains of 4,560 jobs in 2012 and 5,680 jobs in 2013.

Vacancy Rate Summary

Vacancy Rate	6.2%
Annual Chg	-2.8%
Reis YE11 Forecast	5.5%
Reis YE12 Forecast	5.6%
Reis YE13 Forecast	5.6%

3Q11 Absorption and Vacancy Rate Trends

No new apartment units were delivered in the Charleston metro area during the third quarter, marking the fifth consecutive period without any units coming online. Demand remained firm, however. As a result, the metro vacancy rate fell 40 basis points sequentially and 280 basis points year-over-year to 6.2%.

Vacancy among Class B/C properties declined 60 basis points sequentially to 6.4% as 90 of the 115 units absorbed during the quarter were in the Class B/C stock. Class-A vacancy was little changed, falling only 10 basis points to 6.0%.

Reis are optimistic that market vacancy will continue to tighten in the fourth quarter. The source projects vacancy will fall 70 basis points to 5.5%. But accelerated supply (406 units in 2012 and 417 units in 2013) is forecast to produce moderately higher vacancy by year-end 2013.

Effective Rent Summary

Mean Rent (Reis)	$756
Annual Change	2.7%
Reis 2011 Forecast	2.8%
Reis 2012 Forecast	2.4%
Reis 2013 Forecast	1.7%

3Q11 Rent Trends

Rent momentum continued to build as the pace of year-over-year effective rent growth accelerated from 2.5% in 2Q11 to 2.7% in 3Q11. Reduced concessions contributed to the improvement. The size of the average concession package fell to 3.3% of asking rent, the lowest ratio observed since 3Q08.

The fastest rate of effective rent growth was observed in Hanahan / North Charleston submarket as the figure advanced 4.2% year-over-year to $693. Over-the-year advances were similarly robust in the Airport / North Charleston submarket (+3.1%). Conversely, effective rent growth was subdued in the Central Charleston (1.9%) and Mount Pleasant (0.4%) submarkets.

Reis expect rent growth to peak this year, before slowing in 2012 and 2013. Specifically, the source projects gains of 2.8%, 2.4% and 1.7% in 2011, 2012 and 2013, respectively.

Trade & Return Summary

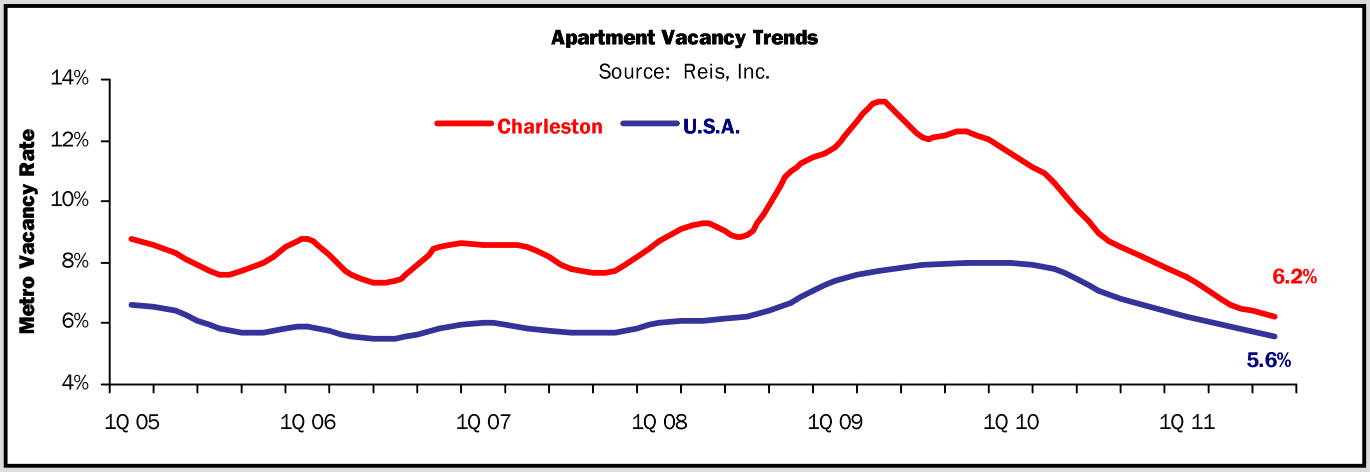
$5mm+ Sales	6
Approx. Proceeds	$116mm
Median Cap Rate	6.3%
Avg. Price/Unit	$61,114

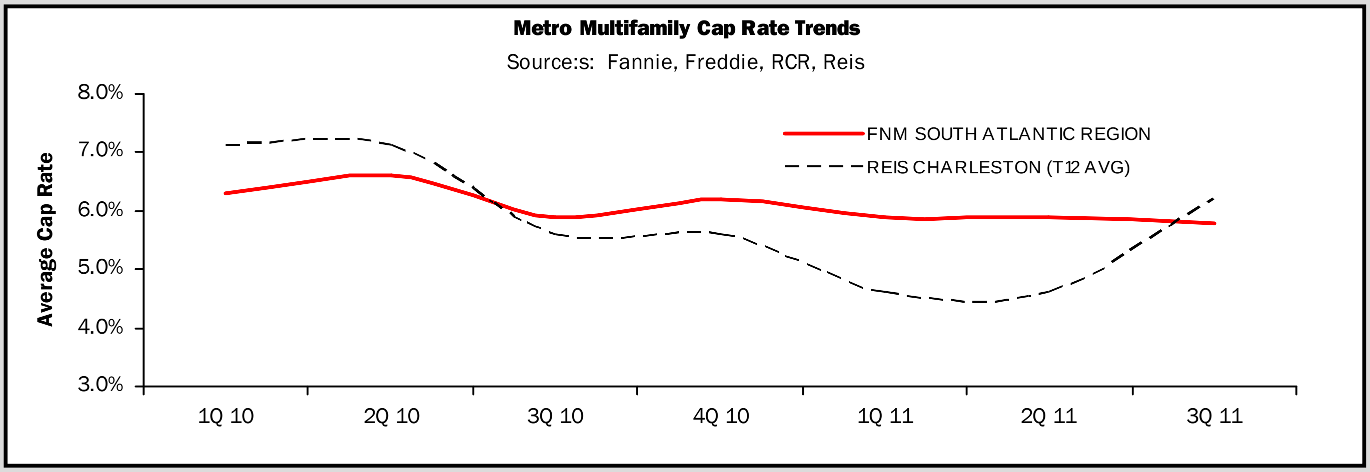
3Q11 Property Markets and Total Returns

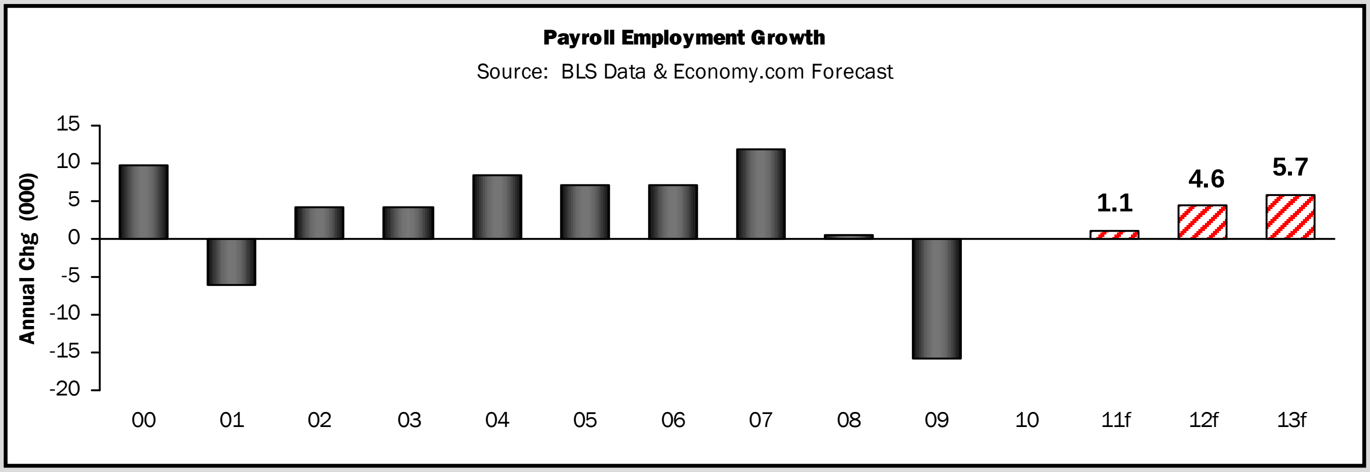
RCR identify six transactions involving properties priced at or above $5 million in the first nine months of 2011. Sales volume totaled $116 million and the average price per unit was $61,114. Cap rates ranged from 6.1% to 6.7% with a median of 6.3%.

Real Capital Analytics, by comparison, report that per unit prices in the Southeast Region averaged $60,366 in 1H11, on $3.3 billion in sales proceeds. In the tertiary portion of the southwest region, which includes Charleston, the average price per unit was $59,530.

An apartment asset in Mount Pleasant fetched the highest price per unit among the six transactions. The 360-unit property, originally constructed in 2001, sold for $39.1 million or $108,611 per unit. RCR calculate a 6.2% going-in cap rate. Another recent transaction involved a 2009-vintage property that sold for $30.8 million ($107,031 per unit), yielding a 6.4% cap rate.

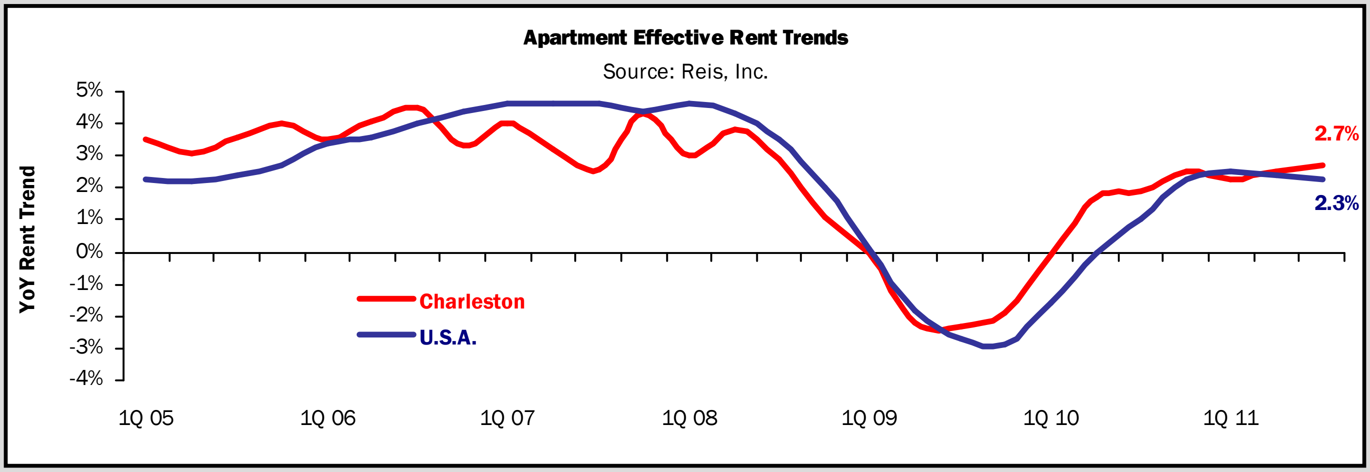


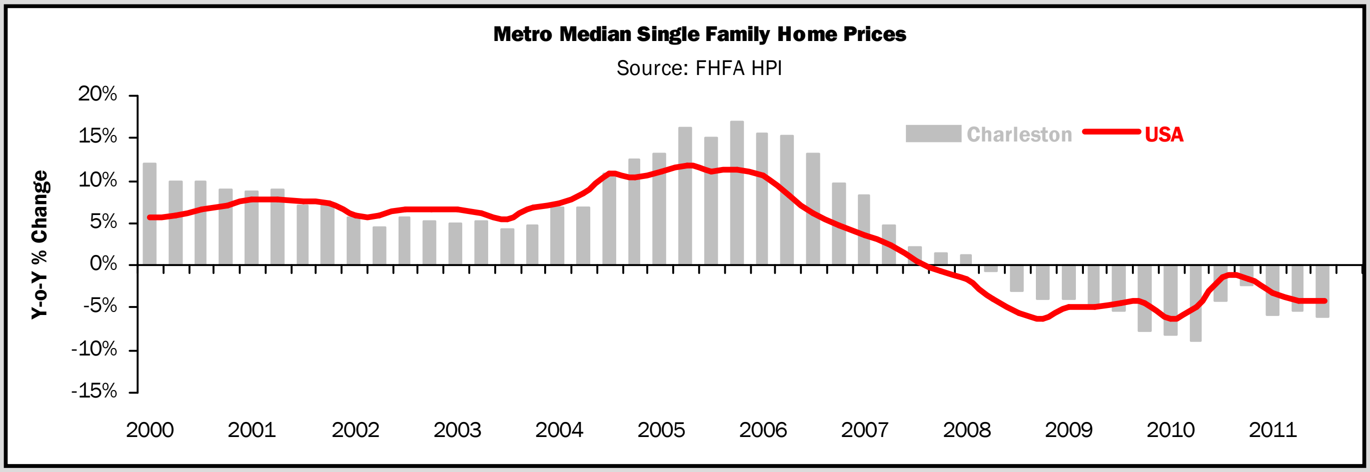


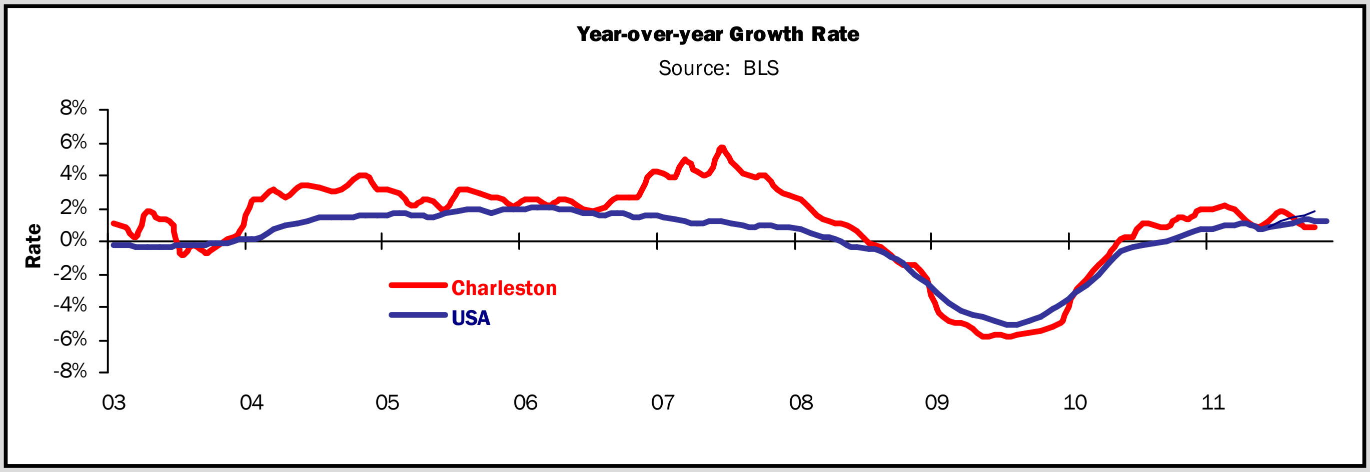


NOTABLE TRANSACTIONS

Property Name (Submarket)	Property Class	Date of Transaction	Total Price (in millions)	Price per unit	Estimated Cap Rae
Ashley Crossing (Central Charleston)	A	September 2011	$15.2	$75,750	6.1%







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SUBMARKET TRENDS

Submarket	Effective Rent			Physical Vacancy		
	3Q10	3Q11	Change	3Q10	3Q11	Change
Airport / North Charleston	$704	$726	3.1%	8.6%	5.5.%	-310 bps
Central Charleston	$778	$793	1.9%	7.9%	4.8%	-310 bps
Hanahan / North Charleston	$665	$693	4.2%	11.5%	9.0%	-250 bps
Mount Pleasant	$930	$934	0.4%	8.2%	6.0%	-220 bps
Metro	**$736**	**$756**	**2.7%**	**9.0%**	**6.2%**	**-280 bps**

RED CAPITAL GROUP

For more information about RED's research capabilities contact:

Daniel J. Hogan
Director of Research
djhogan@redcapitalgroup.com
614-857-1416

William T. Hinga
Business Development
wthinga@redcapitalgroup.com
614-857-1499

RED CAPITAL GROUP

Two Miranova Place_Columbus, Ohio_43215
1.614.857.1400_toll free 800.837.5100_f 614.857.1660
www.redcapitalgroup.com

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Market Overview

Charleston, SC

Multifamily Housing Update **February 2011**

EXECUTIVE SUMMARY

The Charleston economic recovery proceeded along quite nicely in the second half of 2010, propelled by stronger trends in the goods producing and consumer driven industries. After a rare weak performance in 2009 - the Charleston labor market suffered only its third annual net payroll job loss in 20 years and underperformed the national average payroll growth rate for the first time in eight years — employment trends improved last year. Metro establishments added 2,900 workers to payrolls in 2010, representing a 1.0% gain, comparing favorably to the nation's -0.8% average job loss.

Hiring accelerated significantly after mid-year. Metro payrolls advanced at a 5,700-job, 2.0% year-on-year rate during 3Q10, up from 2Q's 3,100-job add, and at a moderately slower 5,400-job, 1.9% pace during 4Q. The second half gains were largely attributable to hiring by manufacturers and retailers and to a decrease in the number of job losses in the construction and transportation industries. By the numbers, factories and retail stores added to headcounts at a combined 2,000-job rate during 2H10, up from a 900-job loss in the first half. Likewise, losses in the transportation sector declined from -1,400 jobs January through June to –900 jobs from July to December. Business service providers also contributed, adding 2,700 workers during 2H10, up from net hiring of 2,000 January through June.

The tone of seasonally-adjusted data was more subdued, suggesting that the temperature of the local economy cooled off moderately during the summer. After posting a 4,100-job Census aided gain from March to June, total payroll employment subsided -1,000 jobs during quarter three before rebounding 1,200 jobs in 4Q.

Data suggest that the metro economy found its footing in recent months, but the pace of the recovery remained subdued. Trends should continue to improve over the next 12 months or so, contributing a net payroll gain of about 6,000 jobs this year, rising to a roughly 8,000-job increase in 2012.

Metro apartment owners enjoyed exceptionally strong tenant demand in 2Q and 3Q, absorbing nets of 483 and 422 units, respectively, probably the best 6-month stretch since 2000. Lease interest was constructive in 4Q as well, but tapered off to some degree as only 239 units were absorbed. Although a 48% gain from the comparable period of 2009, the harvest was moderately slower than 4Q07, suggesting that a substantial portion of the pent-up unit demand stored away during the Great Recession may already be expressed. Still, average occupancy gained 80 basis points sequentially to 91.8%, the highest level observed in three years.

Average asking rents increased for the fourth consecutive quarter, in this case by $3 (0.4%) to $768. Concession levels receded slightly, allowing average effective rents to rise $4 (0.5%) to $740, a series high eclipsing the former record set in 4Q08. Expressed on a year-over-year basis, average asking rents improved 1.9%, while effective rents surged 2.5%.

Reis are bullish on near-term metro rent prospects, less so over the long-term. The service expects metro effective rents to surge $34 (4.6%) in 2011, comparing favorably to a 4.0% national average advance. But for the period from 2011 to 2015, Reis forecast a 1.6% annual rate of growth, considerably slower than the 3.6% gain projected for the U.S. Occupancy is seen rising 180 bps to 93.6%.

SNAP SHOT

	Y-o-y change	Projected YE 2011
Vacancy (8.2% - 4Q10)	4.1%	0.2%
Effective Rents ($740 - 4Q10)	2.5.%	4.6%
Cap Rate (5.5%- 4Q10)	0.75%	0.25%
Employment (290.0m - 4Q10)	5.4m	6.0m

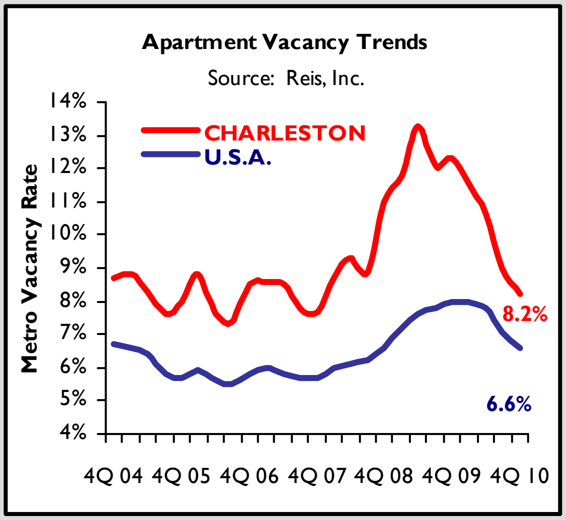
KEY POINTS

- Tenants continued to exhibit strong demand for Charleston apartments in the fall. Owners absorbed a net of 239 units during 4Q10, enough to trim the metro vacancy rate by 80 basis points to 8.2%. For calendar year 2010, average occupancy soared by an impressive 410 bps.
- Pricing trends remained firm. Average asking rents advanced $3 (0.4%) to $768, while effective rents gained $4 (0.5%) to $740, a new series high.
- Reis expect occupancy and rents to rise further in 2011. The service forecasts a 20 bps occupancy rate advance and a 4.6% effective rent increase, which would be the largest one-year gain recorded since 2000.
- Property markets were thin last year as owners seemed content to hold metro assets, and inventory for sale was small. A 240-unit 2009-vintage Mount Pleasant trophy did exchange hands in September, however; **RED Research** estimate that the buyer will earn an initial NOI yield of only 4.5%.
- Prices of existing assets are dear; investors may find more attractive returns from development than property acquisition.

4Q10 VACANCY TRENDS

- Tenants expressed robust demand for apartment space during 4Q10, net leasing a total of 239 units during, up from 161 during the comparable period of 2009.
- As developers delivered no new product to market, average metro occupancy increased significantly, rising 80 basis points sequentially and 410 bps year-over-year to 91.8%.
- Owners in the Airport and Central Charleston submarkets experienced the strongest tenant interest, net absorbing 98 units and 82 units, respectively, raising occupancy 92 and 100 bps to 92.3% and 93.1%.
- A publicly-trade REIT with 1,578 metro units experienced a 110 bps sequential occupancy rate decline in 4Q to 97.5%.

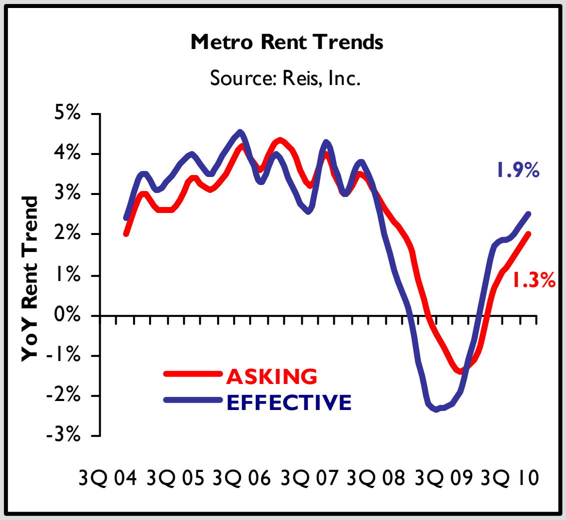
RANK: NA



4Q10 RENT TRENDS

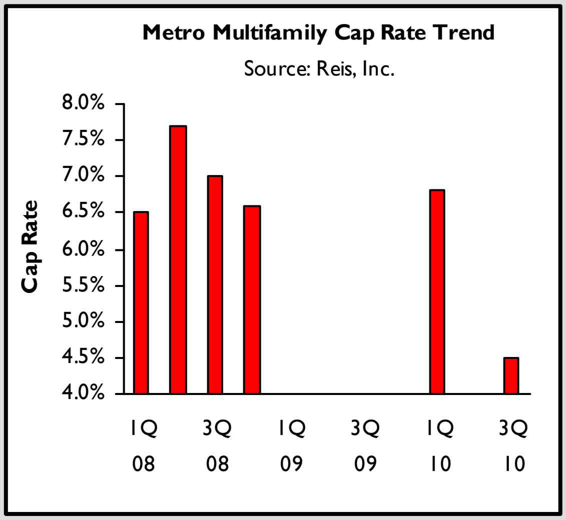
- Average metro asking rent in 4Q was $768, an increase of $3 (0.4%) sequentially, establishing a third consecutive quarterly record.
- Effective rent increased $4 (0.5%) sequentially to $740, topping the previous high of $739 set in 3Q08.
- A public real estate trust reported average rent revenue of $715 from its Charleston properties, representing an $8 (1.2%) sequential quarter advance and a $1 (0.1%) year-over-year increase.
- Rents increased sequentially in three of four Charleston submarkets, declining only in Central Charleston (-0.4%). The largest gainer was Hanahan in which average effective rents advanced $11 (1.7%) to $676.

RANK: NA



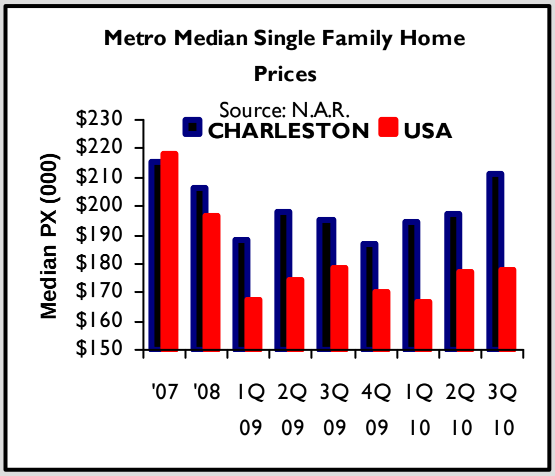
PROPERTY MARKET & CAP RATE TRENDS

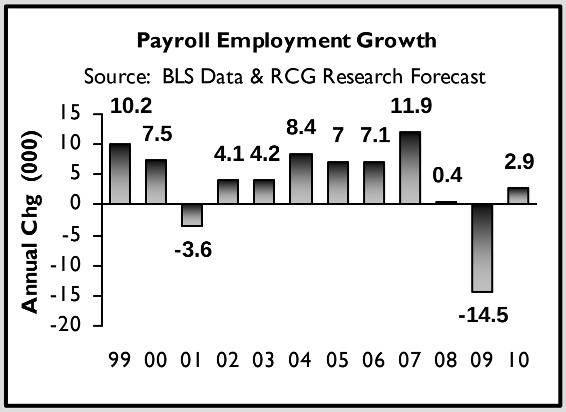
- Sales velocity remained slow during the second half of 2010. Loopnet identify two apartment trades valued at $3 million or more closed during the period. These include a 30-unit, 2009-construction mid-rise Johns Island property that traded in July for $5.55 million or about $185,000 per unit, and a 240-unit, 2009-construction luxury "loft-style" garden project on Bowman Road in Mount Pleasant that sold in September for $38.4 million or $160,000 per unit.
- **RCR** estimate that the cap rate applicable to the Mount Pleasant trade was less than 5%, based on current NOI.
- After a two-year period of flat to declining property NOI trends, owners of metro properties seem reluctant to market properties in the current environment. In early February, only two metro properties appeared to be on the block, leaving investors with few opportunities to accumulate Charleston exposure through acquisition/

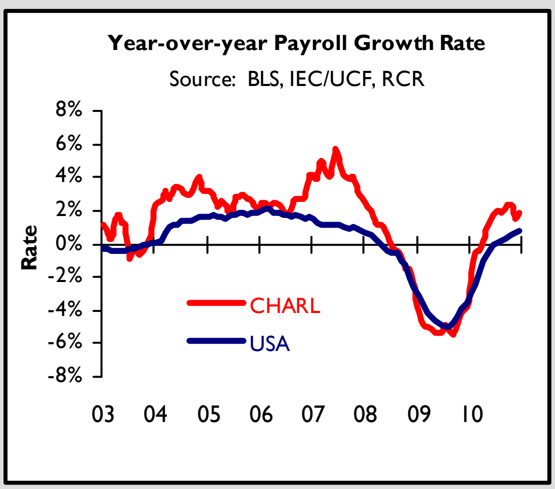


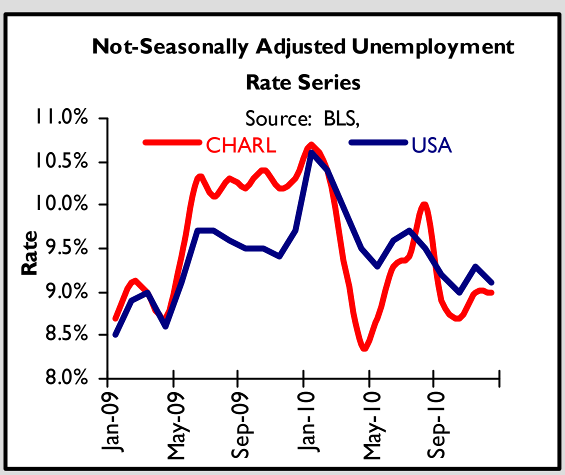
NOTABLE TRANSACTIONS

Property Name	Property Class	Date of Transaction	Total Price (in millions)	Price per unit	Estimated Cap Rate
Central Square (Mt. Pleasant)	A+	20-Sep-2010	$38.4	$159,875	4.5%









DEMOGRAPHICS & HOUSING MARKET

- The median price paid for Charleston MSA homes during 3Q10 was $211,100, according to the National Association of Realtors, representing an 8.2% increase over 2009. The median price also increased 6.9% on a sequential quarter basis. Both metrics were substantially stronger than national and regional comparisons.
- The Downtown (Area 51) real estate market recovered smartly last year. Through late December, sales of single-family homes increased 47.8% from the comparable period of 2009, and the median sales price advanced 32.8% to $850,000. Sales velocity and price also increased for townhouses and condos, although to a smaller degree.
- Foreclosure actions increased dramatically during 2010. RealtyTrac report that one of every 36 households received a notice of foreclosure last year, an increase of 27.5% over 2009 and 48th highest U.S. rate.

EMPLOYMENT TRENDS

Non-Seasonally Adjusted

- The pace of metro payroll job creation was steady during the fourth quarter. After posting a 5,700-job, 2.0% year-over-year advance during 3Q10, Charleston establishments hired at a 5,400-job, 1.9% rate during 4Q.
- Goods producing and retail trade industry trends were positive. Construction, manufacturing and wholesale and retail trade headcounts advanced at a 2,400-job year-over-year pace during 4Q, up from an 800-job gain in the prior three-month period.
- By contrast, hiring trends in the business service and leisure sectors deteriorated to some degree. Headcount growth in the former slowed from 3Q's 3,400-job annual pace to only 1,900 positions during the fourth quarter. At the same time, job cuts in the accommodation and food service sectors caused leisure and hospitality service payrolls to decline at a 1,200-job pace in 4Q10, down from 3Q's 400-job decline.
- The BLS Household Survey found that the total number of employed persons in the metro area increased by 7,880 over the 12 months ended in December. As a result, the rate of unemployment declined 130 basis points to 9.0%.

Seasonally-Adjusted

- BLS seasonally-adjusted data indicate that metro employers created 1,200 jobs during the fourth quarter, up from 3Q10's 1,000-job setback. The quarterly advance was the fourth over the previous five quarters.
- For FY2010, Charleston created 5,400 jobs, expressed on this basis, a strong bounce back from the 9,700 jobs lost during 2009.

Forecast

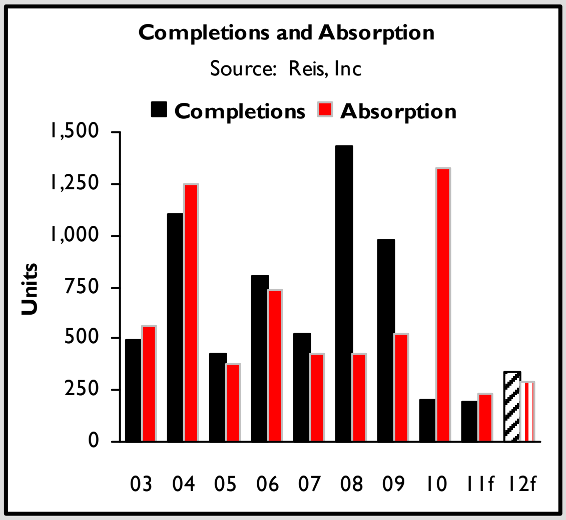
- Following a period of unusual underperformance relative to the national average in 2H09, the pace of job creation in Charleston MSA was consistently faster than average during 2010. Monthly year-on-year percentage growth comparisons were an average of 150 bps faster than the U.S. mean. Out-performance of approximately this magnitude is likely to continue during the first six to nine months of 2011.
- Metro establishments should add a net of approximately 6,000 workers in 2011, accelerating in 2012 to a gain of about 8,000 payroll jobs.

SUBMARKET TRENDS

Submarket	Effective Rent 4Q09	Effective Rent 4Q10	Effective Rent Change	Physical Vacancy 4Q09	Physical Vacancy 4Q10	Physical Vacancy Change
Airport / North Charleston	$688	$709	3.1%	11.0%	7.7%	-330 bps
Central Charleston	$765	$775	1.3%	13.0%	6.9%	-610 bps
Hanahan / North Charleston	$659	$676	2.6%	12.9%	10.7%	-220 bps
Mount Pleasant	$889	$932	4.8%	13.6%	8.0%	-560 bps
Metro	$722	$740	2.5%	12.3%	8.2%	-410 bps

SUPPLY TRENDS

- Reis identify one apartment project currently under construction. This is a 66-unit factor rehab located on the east side of the Charleston Peninsula. This project appears to be in limbo, originally intended as a condominium the developer may still be attempting to sell rather than rent units.
- Four projects are reported to be in the planning phase, including two located beyond the boundary of the Reis metro coverage area (Johns Island and Berkeley County). One project on the books is a 100-unit urban infill affair located near the Charleston School of Law on King Street. The other is a 240-unit residential component of a mixed-use development near the Mount Pleasant waterfront. This project is currently working its way through the Charleston County zoning and planning process.
- One apartment project was delivered in 2010: a 208-unit three-story wood frame garden complex in North Charleston. Asking rents range from $795 to $1,100, equating to about $1.05 and $0.95 per square foot, respectively. After leasing for about 15 months, the project was 90.9% occupied in December at rents averaging $1,084. Properties aged 10 years or less located within three miles of this property exhibited 92.4% average occupancy at asking rents averaging $837.



Daniel J. Hogan
Director of Research
djhogan@redcapitalgroup.com
614-857-1416

William T. Hinga
Business Development
wthinga@redcapitalgroup.com
614-857-1499

RED CAPITAL GROUP
Two Miranova Place
Columbus, OH 43215
www.redcapitalgroup.com
800.837.5100

RED CAPITAL GROUP®

Market Overview

Charleston, S.C.

Multifamily Housing Update **May 2010**

EXECUTIVE SUMMARY

Charleston may be the emerging gem of the New South. Already christened by ***Forbes*** as one of the world's top ten smart small cities, largely because of the rise of its shipping port and its expanding manufacturing sector, Charleston recently snatched Boeing's second 787 Dreamliner assembly plant from the Puget Sound. The facility will employ as many as 3,800 persons and literally rocket the Holy City into a leading position in the global aerospace industry.

The growth and diversification of the manufacturing sector and the growing prominence of the seaport bode well for the future. But recent performance of the metro economy demonstrated that it is not immune to the exigencies of the business cycle. Indeed, payrolls tumbled at a faster rate than the national average last year, falling by 14,500 (-4.9%) jobs, compared to the U.S.'s –4.2% decline. Weakness was evident in the factory sector, of course, but the principal share of job losses was attributable to a collapse of home construction, plunging tourism and attrition in the skilled business and financial services sectors.

Recent data are more encouraging, however, as the annual pace of job loss slowed from 12,700 jobs in 4Q09 to only 2,700 (-0.9%) jobs in 1Q10. First quarter gains were attributable to progress in the goods producing and transportation sectors, which declined at only a 2,500-job year-over-year pace after hemorrhaging 6,600 jobs in 4Q. Moreover, the key business service sector rebounded from a 1,100-job loss in the fall quarter to a 1,200-job, 3.0% advance during the winter.

Charleston will lead the U.S. out of the Great Recession but 2010 will qualify as not better than a good year for job creation. **RED Research** project that the metro will add about 2,900 jobs this year. But the employment market should be on song in 2011, adding 6,900 (2.2%) jobs; growth nearly equaling the US mean.

The for-sale housing market also rebounded during 1Q10. The N.A.R. report that the median price of metro homes sold increased to $194,600 during the quarter, up 4.1% from the prior period and 3.6% y-o-y.

Apartment demand also was constructive. Owners net leased 176 units in the first quarter, representing the best 1Q harvest since at least 2002. As property owners enjoyed a supply respite after the addition of 982 units over the previous nine months, occupancy increased 70 bps sequentially to 88.4%, the highest level observed in fifteen months. Absorption trends were strongest in the Airport and Central Charleston submarkets where tenants net leased a total of 207 units.

Owners came into some pricing power, most notably in the Airport and Mt. Pleasant submarkets. Overall, respective asking and effective rents increased $3 (0.4%) and $5 (0.7%) sequentially after falling about -2.3% over the previous 15 months. Real Airport rents spiked $11 (1.6%) from December to March while MP rents advanced $12 (1.2%), reflecting sharp face rent hikes in each instance.

Reis expect occupancy to increase materially over the next five years, gaining on restrained supply levels and constructive, job-driven apartment demand. The firm foresees occupancy rising 20 bps by year-end and nearly 300 bps from 2011 to 2014. Reis are less optimistic regarding rent trends, however, as its models forecast compound annual gains of 0.94% through 2014, less than one-half of the 2.2% p.a. rate forecast for the top 83 metro markets. Consequently, expected total returns are 100 bps below the 7% **R50** mean.

SNAP SHOT

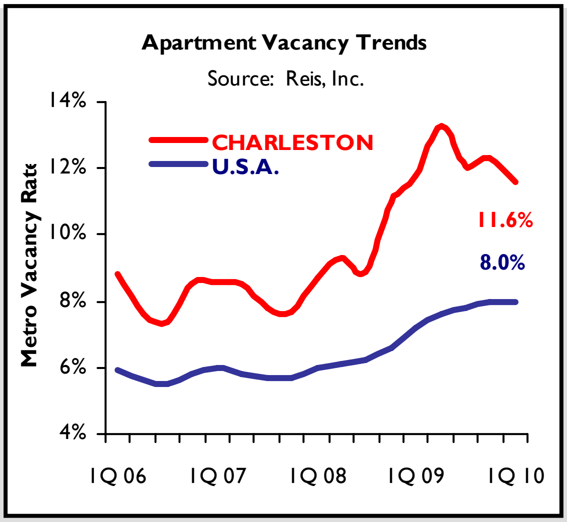
	Y-o-y change	Projected YE 2010
Vacancy (11.6% - 1Q10)	▼ 20 bps	▼ 20b ps
Effective Rents ($728 - 1Q10)	▼ 0.1%	▲ 0.8%
Cap Rate (6.3% - 1Q10)	↔ N/A	↔
Employment (281.1m - 1Q10)	▼ 2.7m	▲ 1.3m

KEY POINTS

- After a challenging 2009 when each of the cornerstones of the Charleston economy was harassed by the global recession, payroll trends improved materially in 1Q10. Year-on-year losses slowed to a 2,700-job, -0.9% pace from 4Q's 12,700-job, -4.3% rate, and metro headcounts increased by 2,700 jobs on a seasonally-adjusted basis, the strongest result posted since 1Q07.
- Robust demand in the North and Central Charleston submarkets boosted average metro occupancy. Tenants absorbed the most units during a winter quarter (176) since at least 2002, reducing mean vacancy by 70 bps from December to March to 11.6%.
- Rent trends also were constructive following sharp increases in the North Charleston and Mt. Pleasant submarkets. Effective rents advanced $5 (0.7%) sequentially, elevating the year-over-year comparison to near parity (-0.1%) for the first time in 12 months.
- Reis expect occupancy to show consistent improvement through 2014, but is less sanguine regarding rent trends. As a result, **RCR** calculate a 6.0% expected rate of return over 5 years (RAI=2.64), 100 bps below the **RED 50** average.

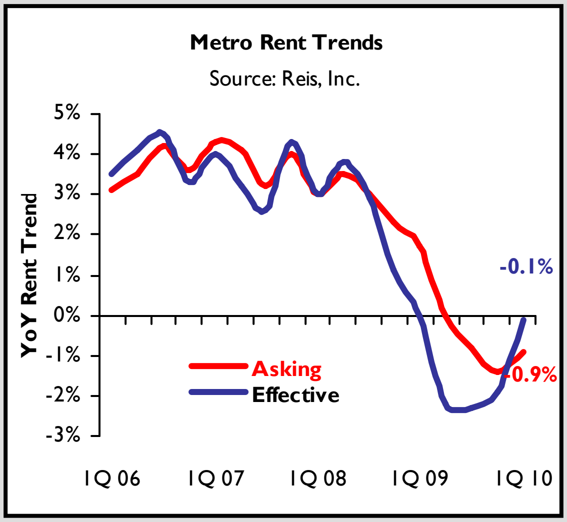
VACANCY TRENDS

- Tenants absorbed 176 units in 1Q10, up from 161 in the prior quarter and –214 in the year-earlier period. The performance was the strongest recorded in any 1Q period since at least 2002.
- As supply during the period was nil, occupancy advanced 70 bps sequentially to 88.4%, the highest metric recorded in 15 months.
- The Airport and Central Charleston submarkets were largely responsible, adding a combined net of 207 net tenants. Mt. Pleasant owner also net leased another 42 units.
- Real Data reported that Charleston vacancy averaged 13.7% in February, down 160 basis points from the same period of 2009. Average vacancy of properties less than 5 years old was 8.2%.
- Reis expect occupancy to rise 20 bps by YE10; 310 bps by YE14.



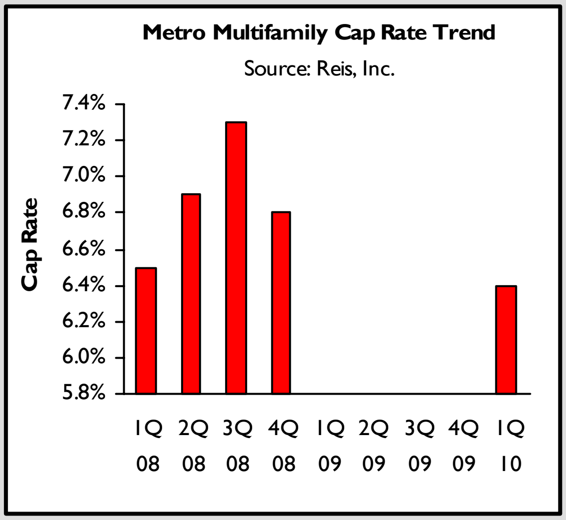
RENT TRENDS

- Rent trends continued to rebound from the mid-2009 lows. Owners hiked the asking rents by an average of $3 (0.4%) from December to March while chipping away an average of $2 from the value of the typical concession package. The $5 (0.7%) increase in effective rent to $727 brought the year-on-year comparison within $1 of parity.
- Rent growth was largely attributable to substantial gains posted in the Airport and Mt. Pleasant submarkets. Mt. Pleasant, the geography favored by many retired households and young professional families, saw rents rise by $12 (1.3%) quarter-to-quarter to an average of $901.
- Real Data report that the average rent in Charleston was $747 in February. The datum compares to $754 at the same properties in the comparable period of 2009, representing a -0.9% decline.
- Reis expect real rents to rise only 0.9% p.a. through 2014.



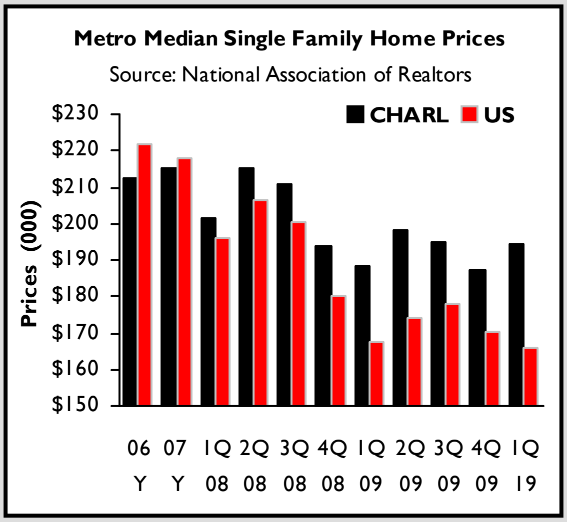
PROPERTY MARKET & CAP RATE TRENDS

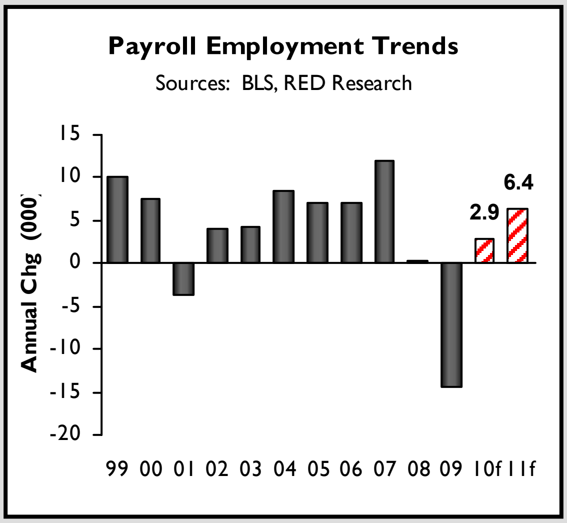
- Trade in Charleston properties came to a screeching halt last year. No area properties exchanged hands, according to data published by Real Capital Analytics. Reis also identified no sales last year.
- Investors broke the ice in January with the purchase of two related Section 8 properties for $2.8 million or $32,558 per unit. Assuming rents equal to HUD FMR, the property would yield about 9% by our estimate. Reis forwarded a 6.4% cap rate estimate.
- A more interesting transaction was consummated in March. An investor purchased a six-year old class-B property in Central Charleston submarket for a price estimated of approximately $23 million or $76,667 per unit. **RCR** estimate the cap rate at 6.5%.
- The slow rent growth projected by Reis impairs expected Charleston total return prospects. We estimate investors would generate a 6.0% p.a. return in 5 years.

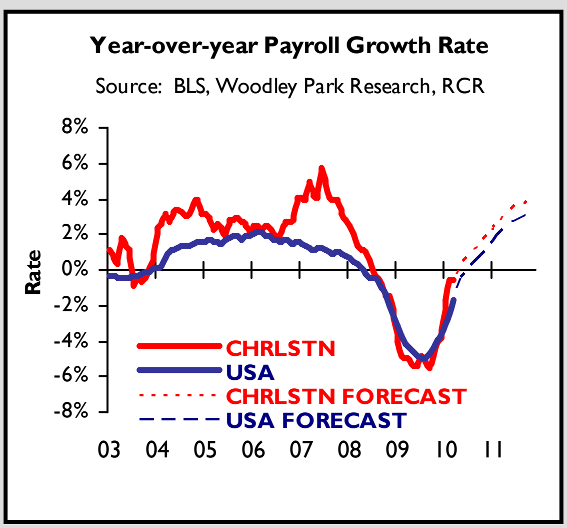


NOTABLE TRANSACTIONS

Property Name	Property Class	Date of Transaction	Total Price (in millions)	Price per unit	Estimated Cap Rate
Boone West Summer Square	Sect. 8	31-Jan-2010	$2.8	$32,558	6.4% (Reis)
Lockhaven Vill. (Cent Charlstn)	A	15-Mar-2010	$23.0 (est.)	$76,667	6.5% (RCR)







DEMOGRAPHICS & HOUSING MARKET

- After sliding 16% from a cycle high of $223,000 in 2Q07 to $187,000 in 4Q09, Charleston home prices firmed over the winter. The median price of a home sold during 1Q10 bounced back to $194,600, an increase of 4.1% sequentially and 3.4% year-over-year.
- The metro population increased by 11,977 in 2009, according to the Census Bureau, a 1.9% advance. By way of comparison, the area enjoyed a 15,210-person, 2.4% increase in the prior 12-month period.
- There were 490 sales of MLS-listed homes in April at average and median sales prices of $262,795 and $187,000, respectively. The typical home was listed for 115 days prior to sale.
- A total of 2.2% of Charleston households was involved in a foreclosure action last year, ranking as the 64th highest rate among the 203 largest metro areas in the country.

EMPLOYMENT TRENDS

Non-Seasonally Adjusted

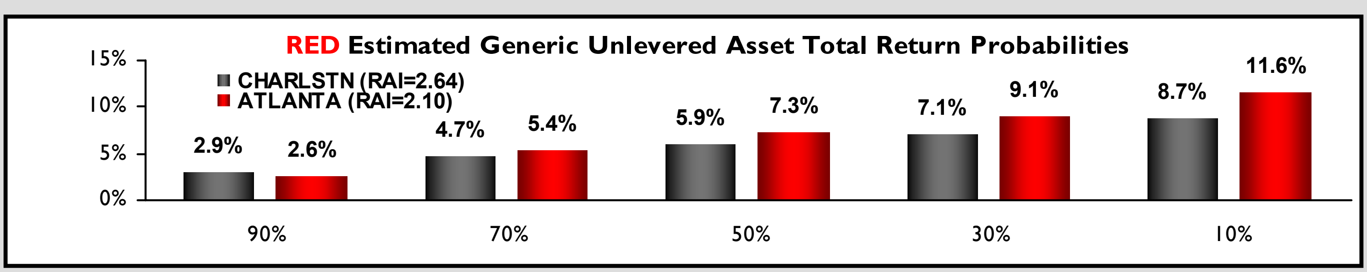
- Metro payrolls declined at a 2,700-job, -0.9% year-over-year rate during the first quarter, up from a 12,700, -4.3% decline recorded in the previous quarter.
- The remarkable improvement was attributable to stronger performance in nearly every NAICS super-sector, led by significant gains in the goods producing and transportation and warehousing industries. Gain in business and finance services also contributed.
- Notably, year-over-year comparisons in business services went above parity in the first quarter, rising 1,200 jobs from 1Q09 following five consecutive negative quarterly comparisons.
- The unemployment rate stood at 8.9% in March, down 20 bps from February but up 70 bps year-over-year.

Seasonally-Adjusted

- Metro payrolls increased in the first quarter, rising by a net of 2,600 jobs, largely due to January's 1,700-job advance. The pace of job creation slowed somewhat thereafter, declining to 1,000 jobs in February and a small 100 job setback in March.
- The positive job advance recorded during the first quarter was the first posted here since 1Q08 and was the largest advance recorded since 1Q07.

Forecast

- **RED CAPITAL Research** expect the Charleston recovery to gain steam through the end of 2011. As depicted in the graph to the left, Charleston payrolls should grow moderately faster than the U.S. average, rising by about 2,900 positions in 2010, blossoming to 6,400 jobs next year.

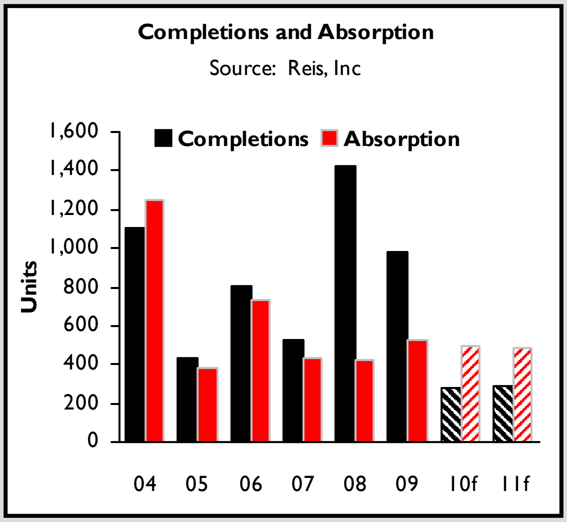


SUBMARKET TRENDS

Submarket	Effective Rent			Physical Vacancy		
	1Q09	1Q10	Change	1Q09	1Q10	Change
Airport / North Charleston	$ 694	$ 699	0.7%	12.9%	10.2%	-270 bps
Central Charleston	$ 779	$ 764	-1.9%	9.9%	11.5%	160 bps
Hanahan / Charleston Heights	$ 669	$ 660	-1.3%	12.7%	14.0%	130 bps
Mount Pleasant	$ 884	$ 901	1.9%	10.9%	11.9%	100 bps
Metro	**$ 728**	**$ 727**	**-0.1%**	**11.8%**	**11.6%**	**-20 bps**

SUPPLY TRENDS

- Reis's construction works report indicates that four major projects were completed in 2009. These included two projects in the Central Charleston submarket, one of 212 units, the other consisting of 240 units, as well as 290-unit and 240-unit communities located in the Airport and Mount Pleasant submarkets, respectively. Each is a three-story walk-up style garden apartment complex. The Mount Pleasant asset is the most luxurious, and the asking rents reflect that fact. Property rents are advertised at rates ranging from $995 to $1,740, equating to roughly $1.10 to $1.30 per square foot.
- Two other projects encompassing 627 units were completed last year in Berkeley County outside the boundaries of the Reis coverage area.
- A 208-unit complex debuted in April. The A– project in the Airport submarket offers units at rents equating to about $0.95 to $1.05/sf.
- Only one project currently is under construction: a 66-unit, loft rehab in the Hanahan / Charleston Heights submarket. The converted cigar factory is located near the riverfront on the city's Upper East Side, in close proximity to the historic Josiah Smith Tennent House.
- Reis project supply of 274 units in 2010; 286 units in 2011.



Daniel J. Hogan
Director of Research
djhogan@redcapitalgroup.com
614-857-1416

William T. Hinga
Business Development
wthinga@redcapitalgroup.com
614-857-1499

RED CAPITAL GROUP
Two Miranova Place
Columbus, OH 43215
www.redcapitalgroup.com
800.837.5100