



Greenville, South Carolina

Multifamily Housing Update 2Q13 September 2013

Payroll Job Summary

Total Payrolls	435.8m
Annual Change	5.0m(1.2%)
2013 Forecast	4.8m
2014 Forecast	9.7m
2015 Forecast	8.1m
2016 Forecast	8.6m
Unemployment	7.7% (July)

2Q13 Payroll Trends and Forecast

After experiencing vigorous growth during 2012 and the first quarter of 2013 Greenville-Spartanburg payrolls hit a soft patch during the spring. Expressed on a not-seasonally adjusted year-on-year basis, payroll employment grew at a 5,000-job, 1.2% pace during 2Q13, down from 2012's 15-year record high 10,100-job, 2.4% advance and 1Q13's 6,200-job, 1.5% gain. Seasonally-adjusted data were consistent, pinpointing the period of slow growth between January and May, when a -200-job net setback was recorded.

But robust growth returned during the summer.

The annual pace of growth reaccelerated to a 7,000-job, 1.6% rate over the 12 months ended in July, while seasonally-adjusted data show that 4,000 jobs were created in June and July alone.

Variables in the 96.5% adjusted R-squared statistic RCR payroll model include U.S. payrolls, personal income, GDP and home values. The model suggests that metro area payroll growth is likely to remain below trend during 2H13 before regaining momentum to the mid-2%'s in 2014 and 2015. Growth through 2017 should average about 1.8%, about twice as fast as the 1990–2012 average.

Occupancy Rate Summary

Occupancy Rate (Reis)	95.5%
RED 50 Rank	NA
Annual Chg. (Reis)	+1.0%
RCR YE13 Forecast	NA
RCR YE14 Forecast	NA
RCR YE15 Forecast	NA
RCR YE16 Forecast	NA

2Q13 Absorption and Occupancy Rate Trends

Greenville/Spartanburg apartment demand continued at a blistering pace during the second quarter as households net leased 166 vacant units, up from 78 in the year-earlier quarter, according to Reis. Supply of 232 units over-balanced demand, however, causing metro occupancy to slip 20 basis points sequentially to 95.5%. Nevertheless, 2Q13 occupancy stood 100 bps above the level in the comparable period of 2012 representing one of the largest advances recorded in the South Atlantic region. The occupancy gain was entirely

attributable to demand for luxury space as tenants absorbed 179 class-A units while older properties experienced moderate leased tenant attrition. Axiometrics report that larger properties it surveys were 93.0% occupied in 2Q13; unchanged sequentially but up 60 bps year-on-year.

Reis expect absorption to moderate over the next few years, falling from 961 units in FY13 to 359 next year and to a 189-to 210-unit range during the 2015–17 period. As a result, metro occupancy may return to the 95.0% area by 2017.

Effective Rent Summary

Mean Rent (Reis)	\$641
Annual Change	2.7%
RED 50 Rank	NA
RCR YE13 Forecast	NA
RCR YE14 Forecast	NA
RCR YE15 Forecast	NA
RCR YE16 Forecast	NA

2Q13 Effective Rent Trends

Metro effective rents increased \$5 (0.8%) sequentially during the second quarter to an average of \$641, according to Reis, representing a return to form after the prior quarter's small 0.2% advance. Expressed on a year-over-year basis, rents increased \$17 (2.7%), moderately slower than 1Q13's \$21 (3.4%) gain and the \$22 (3.7%) surge posted during calendar 2012.

Axiometrics surveys found considerably faster rent growth among larger, professionally managed properties. This service reports that same-store

rents increased 4.2% y-o-y during the second quarter, unchanged from 1Q13. In this case, momentum came from the 68 surveyed class-B&C properties, which recorded a 4.8% same store y-o-y 2Q13 increase, outpacing the 3.6% advance posted by the 47 class-B+ and class-A surveyed assets.

Axiometrics expect further robust rent increases through 1Q14, giving way to 2.0% to 3.5% y-o-y advances over the next three years. Reis project gains in the high 2% area for 2013 to 2015, slowing to low- to mid-2% range for 2016 and 2017.

Trade & Return Summary

\$2mm+ Sales	6
Approx. Proceeds	\$89.3mm
Med. Cap Rate (FNM)	6.2%
Avg. Price/Unit	\$70,929
Expected Total Return	NA
RED 46 ETR Rank	NA
Risk-adjusted Index	NA
RED RAI Rank	NA

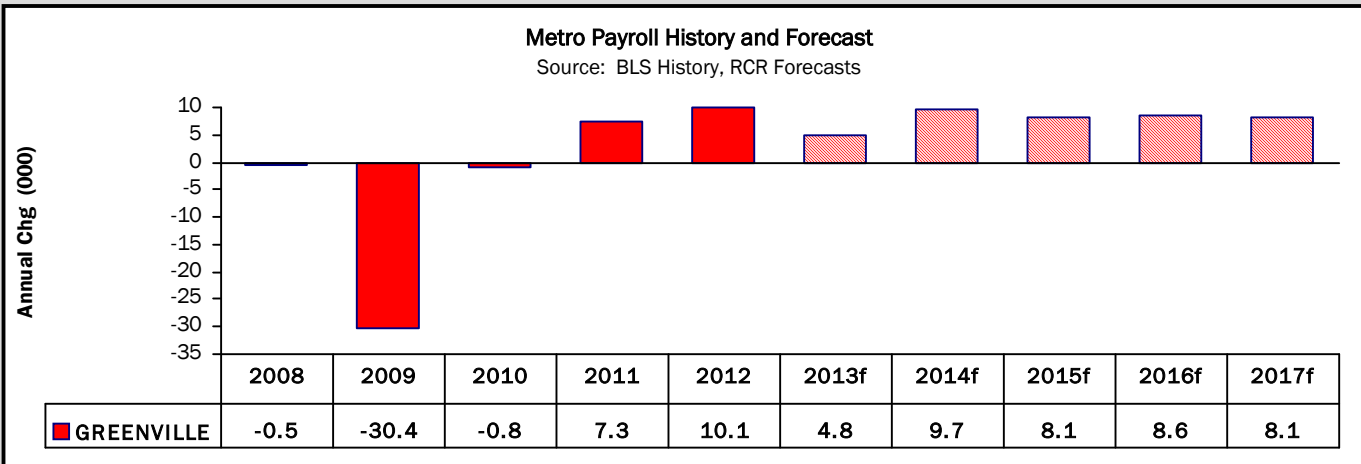
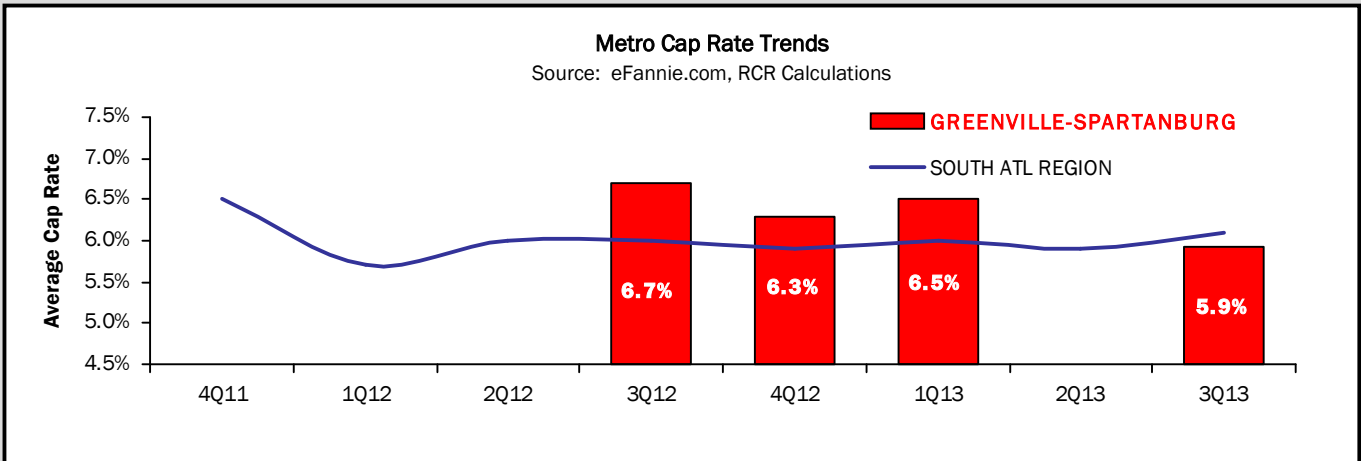
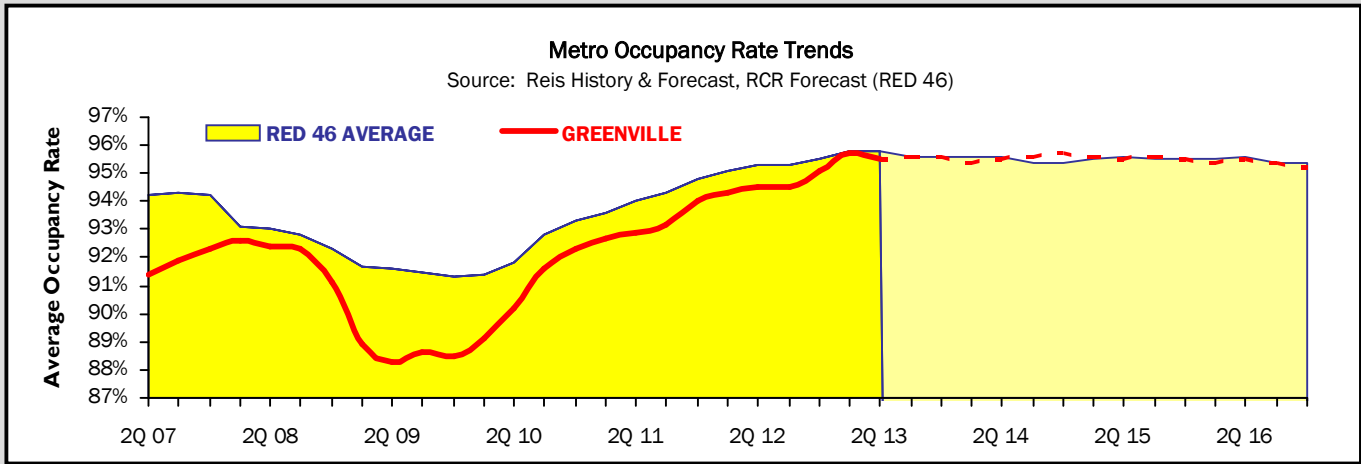
2Q13 Property Markets and Total Returns

Sales of Greenville-Spartanburg properties were steady during the spring as six assets valued at \$2 million or more exchanged hands for gross proceeds of \$89.3mm, equating to an average price per unit of \$70,929. By way of comparison, five properties were traded in each of the previous two quarters for proceeds totaling \$38.3mm and \$113.7mm, respectively.

The bellwether transaction closed in June involving a four-year old class-A Mauldin area property acquired by a large New York-based fund from a

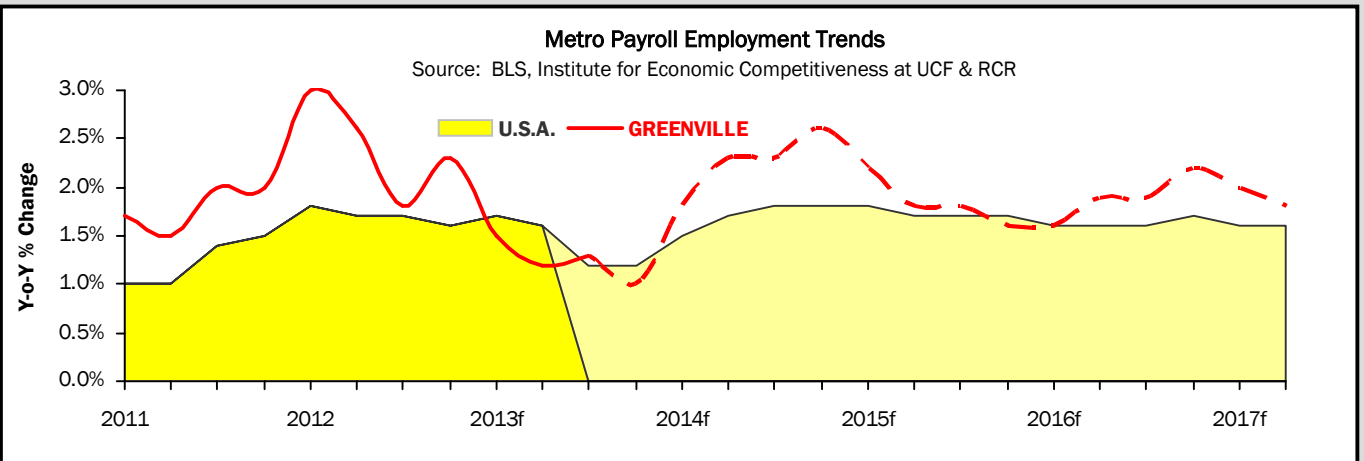
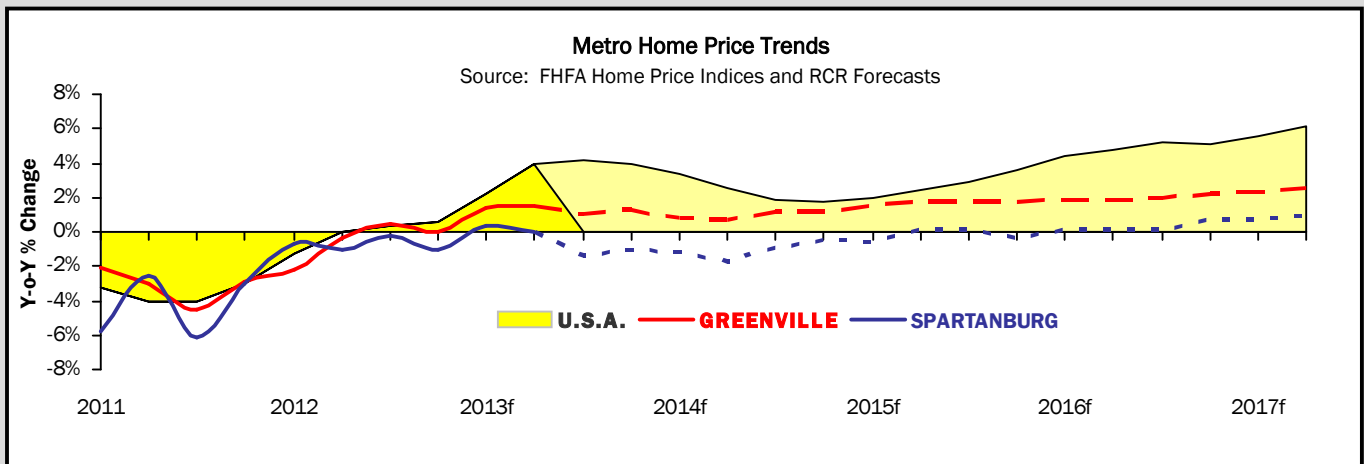
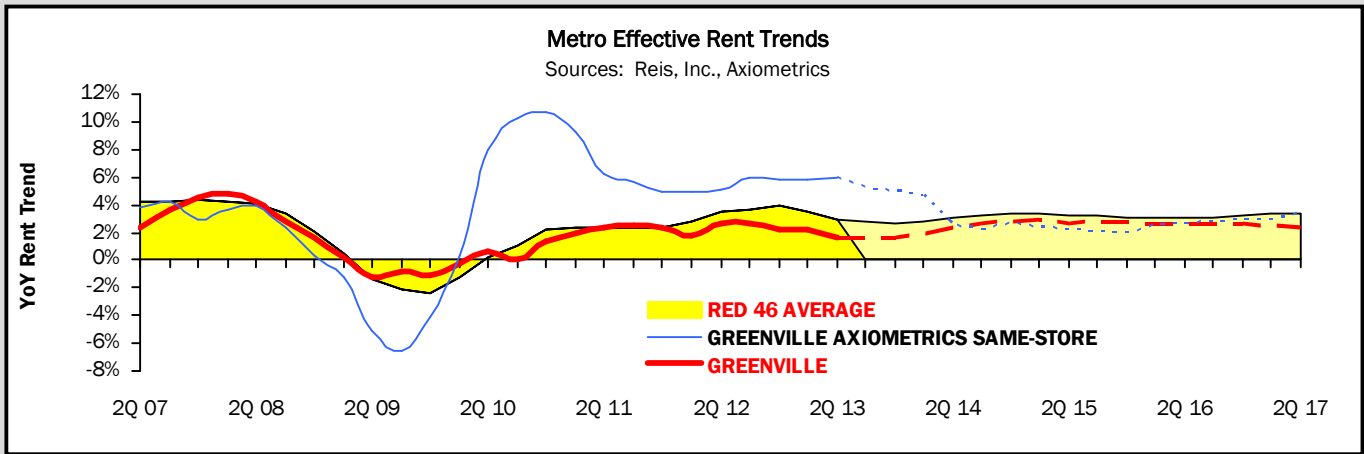
merchant builder/manager with a largely South-eastern U.S. portfolio. Buyer paid \$111,164 per unit to yield slightly less than 6%. Buyer employed a well-timed, low-levered 2.74% Fannie Mae loan. Also, a 2005 class-B+ asset traded in May to a marginally lower cap rate in the mid-5% area.

Cap rates in this small market are not dissimilar to those seen in Charlotte or Atlanta. Class-A and -B+ properties trade in the high-5% to 6% range. Class-B and B- assets command prices equating to cap rates 100 to 150 bps behind these levels.



NOTABLE TRANSACTIONS

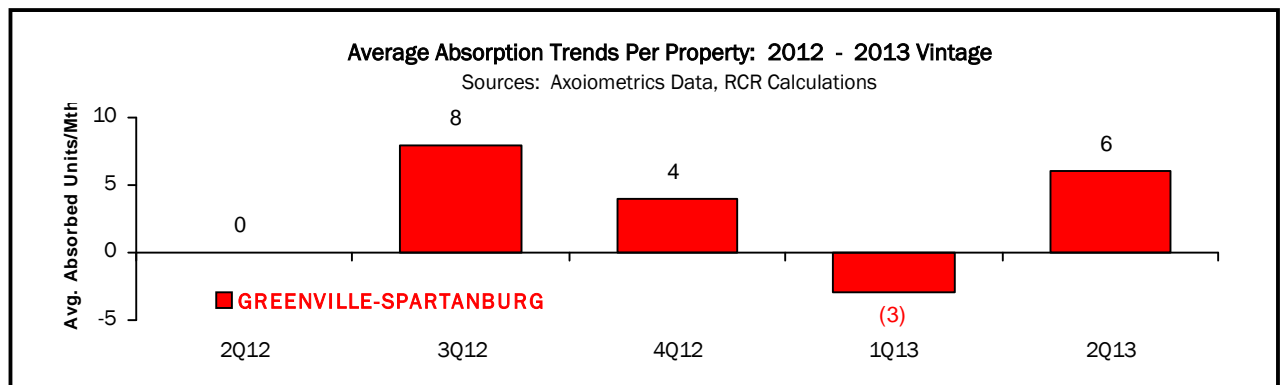
Property Name (Submarket)	Property Class/ Type (Constr.)	Date of Transaction	Total Price <Appr. Value> (in millions)	Price / <Appr. Value> per unit	Estimated Cap Rate
Bradford Grove Apts. (Spartanburg Co.)	B- / GLR (1972)	16-Apr-2013	\$3.8	\$19,100	7.7%
Candelton Village (So.. Greenville Co.)	B+ /GLR (2005)	8-May-2013	\$26.3	\$83,758	5.7%
West Chase Apts. (North Greenville Co.)	B+ /GLR (2000)	19-May-2013	\$13.0	\$67,708	6.9%
Millennium Apt. Homes (South Greenville)	A / GLR (2009)	6-Jun-2013	<\$33.6>	<\$110,164>	5.9% (FNM Acq. Financing)



The information contained in this report was prepared for general information purposes only and is not intended as legal, tax, accounting or financial advice, or recommendations to buy or sell currencies or securities or to engage in any specific transactions. Information has been gathered from third party sources and has not been independently verified or accepted by RED CAPITAL GROUP. RED makes no representations or warranties as to the accuracy or completeness of the information, assumptions, analyses or conclusions presented in the report. RED cannot be held responsible for any errors or misrepresentations contained in the report or in the information gathered from third party sources. Under no circumstances should any information contained herein be used or considered as an offer or a solicitation of an offer to participate in any particular transaction or strategy. Any reliance upon this information is solely and exclusively at your own risk. Please consult your own counsel, accountant or other advisor regarding your specific situation. Any views expressed herein are subject to change with-out notice due to market conditions and other factors.

SUBMARKET TRENDS (AXIOMETRICS SAME STORE)

Submarket	Effective Rent			Physical Occupancy		
	2Q12	2Q13	Change	2Q12	2Q13	Change
Central Greenville County	\$695.33	\$727.98	4.7%	94.0%	94.2%	20 bps
North Greenville County	\$805.30	\$827.80	2.8%	94.7%	94.4%	-30 bps
Northwest Greenville County	\$575.36	\$592.92	3.1%	85.6%	89.7%	410 bps
South Greenville County	\$765.15	\$797.22	4.2%	93.6%	94.7%	110 bps
Spartanburg County	\$647.10	\$676.31	4.5%	91.1%	90.6%	-50 bps
Metro	\$702.66	\$732.15	4.2%	92.4%	93.0%	60 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



Greenville-Spartanburg, SC

Multifamily Housing Update 3Q11 January 2012

Payroll Job Summary

Total Payrolls:	414.5m
Annual Change:	+3.2m
2011 Forecast	+4.2m
2012 Forecast	+2.9m
2013 Forecast	+4.9m
2014 Forecast	+10.9m
Unemployment	8.6% (NOV)

3Q11 Payroll Trends and Forecast

After sputtering in the spring, the Greenville-Spartanburg regained momentum during summer and fall. The combined metro areas added payroll positions at a 3,200-job, 0.8% year-on-year rate in 3Q, and at a 4,300-job, 1.0% average rate in October and November, up from 2Q's 2,600-job add. Manufacturing, trade and business service establishments were the principal drivers. Factory headcounts expanded at a 1,000-job, 2.7% y-o-y pace, and trade and business service firms hired 3,600. Seasonally-adjusted data suggest that hiring was

moderately faster in Spartanburg in the fall. September to November estimates indicate that Spartanburg payrolls increased by 3,100 jobs against a decrease of -600 in Greenville-Mauldin MSA.

Our outlook for Greenville-Spartanburg calls for slightly slower growth in 2012, in keeping with a sluggish global and domestic economic recovery. But a faster expansion should materialize in 2013 and 2014. We expect more than 15,000 GSP payroll jobs to be created during the 2-year period.

Vacancy Rate Summary

Vacancy Rate (Reis)	6.8%
RED 50 Rank	NA
Annual Chg (Reis)	-1.6%
Prelim. Reis YE11	6.0%
Reis YE12 Forecast	6.8%
Reis YE13 Forecast	6.3%
Reis YE14 Forecast	6.9%

3Q11 Absorption and Vacancy Rate Trends

Space demand improved slightly during 3Q11 as tenants leased a net of 89 metro units, according to Reis, up from 70 during the previous quarter. No supply was added to inventory for the fourth consecutive quarter. As a result, occupancy improved 30 basis points sequentially to 93.2%, equal highest rate in the 12-year Reis data series.

Preliminary data indicate that demand rebounded vigorously during 4Q11. Reis report that occupancy increased 80 bps to 94.0% during 4Q11, implying that about 275 vacant units were tenanted.

Occupancy improved sequentially in every submarket during 3Q11. The greatest gains were recorded by Spartanburg and Anderson County properties, where average occupancy increased by 50 and 40 bps, respectively. By contrast, Greenville submarkets made slower progress as Central and North occupancy rates advanced 10 bps each.

Reis expect occupancy to hold steady over the next several years. But the unexpected surge in demand observed during the fall quarter may give rise to a more optimistic near-term forecast.

Effective Rent Summary

Mean Rent (Reis)	\$610
Annual Change	2.3%
RED 50 Rank	NA
Prelim. Reis YE11	2.3%
Reis 2012 Forecast	2.5%
Reis 2013 Forecast	2.7%
Reis 2014 Forecast	2.9%

3Q11 Rent Trends

Metro rents increased at a brisk pace over the summer. Average asking and effective rent increased \$5 (0.8%) sequentially to \$657 and \$610, respectively, each an improvement from the prior quarter when \$3 (0.5%) and \$4 (0.6%) increases were recorded. Preliminary reports for 4Q11 suggest that rent growth decelerated to some degree during the fall. Average asking rents increased only \$2 quarter-to-quarter or 0.3%.

Four of five metro submarkets chalked down se-

quential effective rent gains ranging from 0.2% (Greenville North) to 1.5% (Central). Only Anderson County experienced a setback as owners rolled back rents an average of \$3 (-0.5%) to \$554.

Reis project steady revenue gains through 2014. After an approximate 2.6% advance in 2011, the service foresees growth in the 2.5% to 2.8% range from 2012 to 2014. Faster gains are expected in 2015, however, when the service forecasts a 4.1% surge, a growth rate unseen since 2007.

Trade & Return Summary

2H11 \$5mm+ Sales	3
Approx. Proceeds	\$37.0mm
Cap Rate (T3M Avg.)	6.1%
Avg. Price/Unit	\$55,401
Expected Total Return	NA
RED 46 ETR Rank	NA
RAI NA	RAI Rank NA

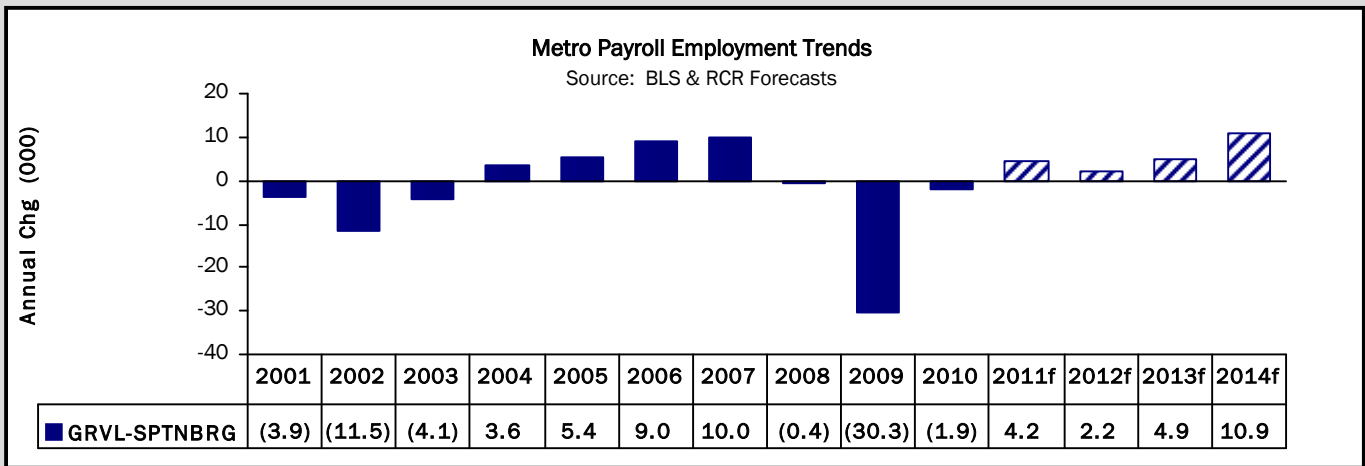
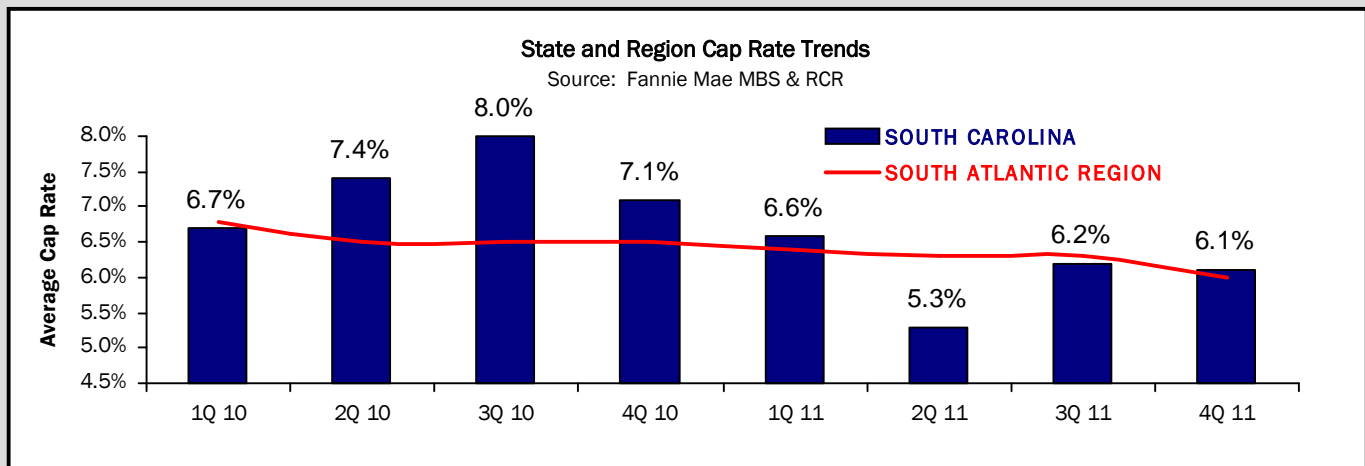
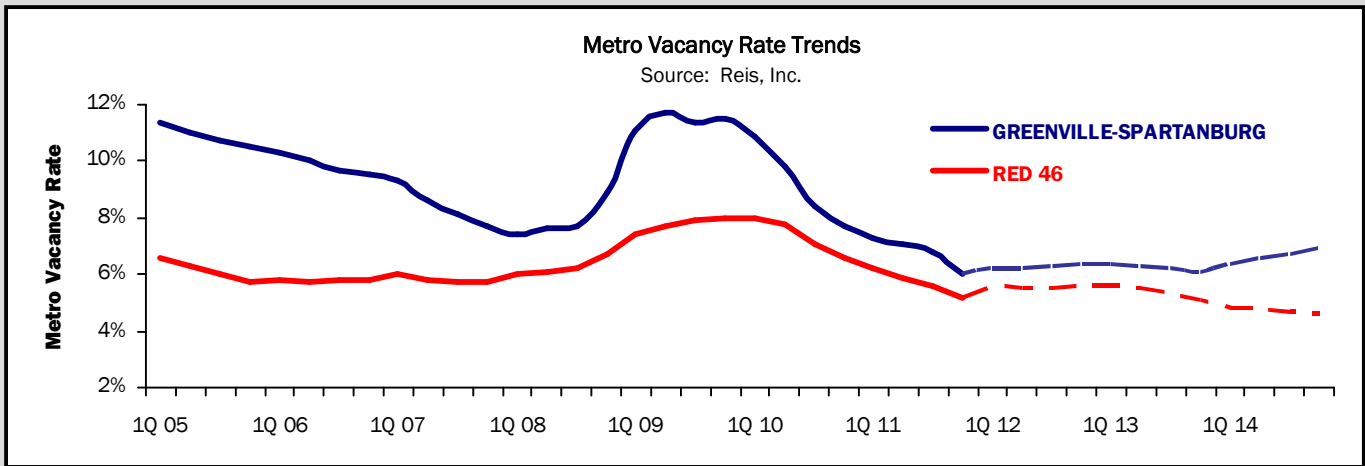
3Q11 Property Markets and Total Returns

Loopnet.com identify three sales of Greenville-Spartanburg-Anderson area properties closed during 2H11. Proceeds totaled \$37.0 million. Average price equivalents ranged from \$28,830 for a 40-year old class-B- city of Greer asset to \$90,625 for a class-A, 2008-vintage asset located in suburban Brookfield.

Cap rates were within a range consistent to recent trends in the Atlanta and Charlotte markets. The aforementioned class-B- property traded at an estimated initial yield of 8.5%. A class-A asset in a

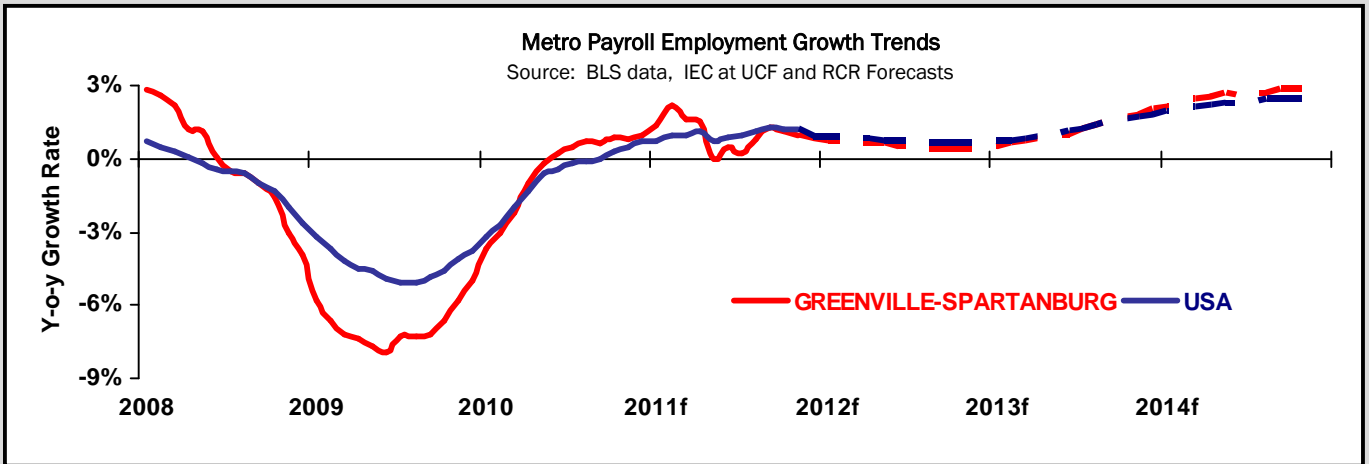
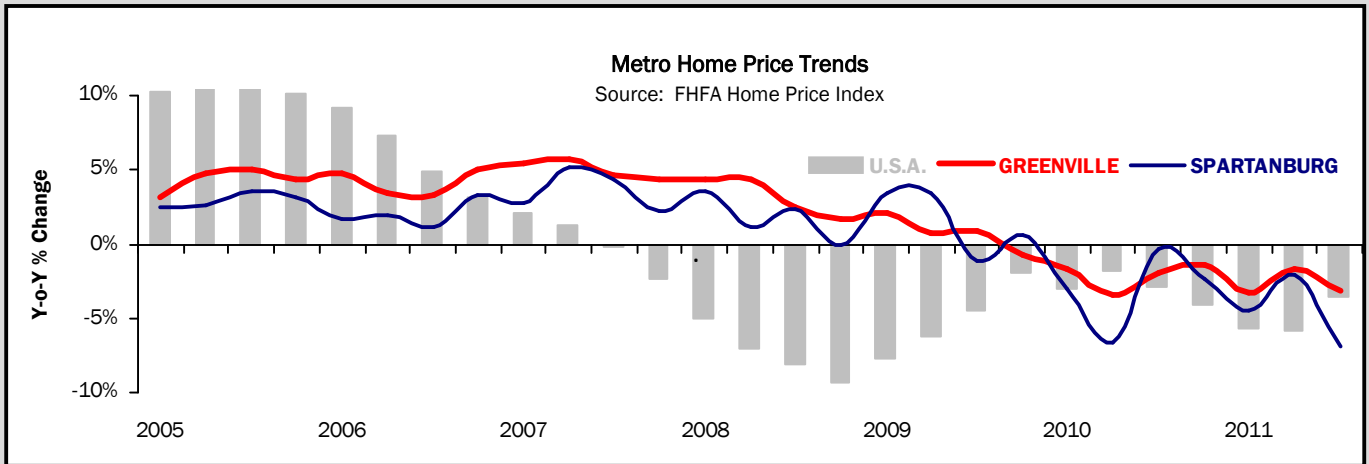
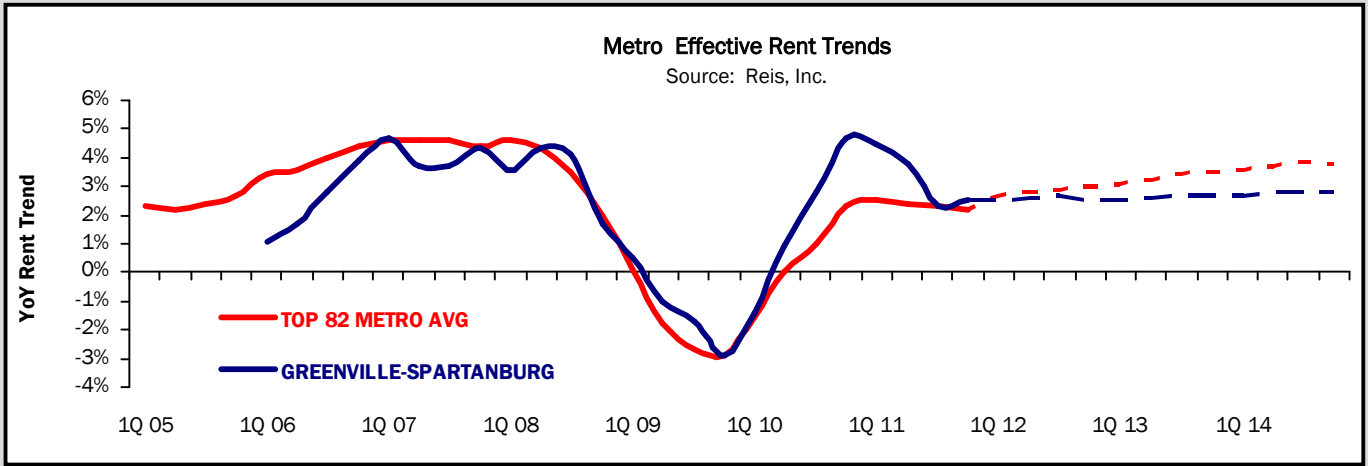
secondary location exchanged hands at a cap rate in the low-7% area. But the class-A asset located in a prime suburban location fetched a price equating to a low 5% going-in yield, in line with the top Southeastern region markets.

Three institutional quality class-A- GSP garden projects were offered for sale in January, two located in Spartanburg and the third in Greenville. Rents at these 1990s era assets average \$700-\$730 and occupancy rates range from 94% to 96%. Prices will be determined by the market.



NOTABLE TRANSACTIONS

Property Name (Submarket)	Property Class	Date of Transaction	Total Price (in millions)	Price per unit	Estimated Cap Rate
Haven Boiling Springs (Spartanburg Co.)	A	Dec-2011	\$16.3	\$61,648	7.0%
Park West/FMR Polo Club (North)	B-	Oct-2011	\$10.35	\$28,830	8.5%
The Vinings Brookfield (South Co.)	A	Oct-2011	\$20.3	\$90,625	5.2%
Cunningham Villas (Central)	B-	Jan-2012	\$2.05	\$26,625	9.5%



The information contained in this report was prepared for general information purposes only and is not intended as legal, tax, accounting or financial advice, or recommendations to buy or sell currencies or securities or to engage in any specific transactions. Information has been gathered from third party sources and has not been independently verified or accepted by RED CAPITAL GROUP. RED makes no representations or warranties as to the accuracy or completeness of the information, assumptions, analyses or conclusions presented in the report. RED cannot be held responsible for any errors or misrepresentations contained in the report or in the information gathered from third party sources. Under no circumstances should any information contained herein be used or considered as an offer or a solicitation of an offer to participate in any particular transaction or strategy. Any reliance upon this information is solely and exclusively at your own risk. Please consult your own counsel, accountant or other advisor regarding your specific situation. Any views expressed herein are subject to change without notice due to market conditions and other factors.

SUBMARKET TRENDS

Submarket	Effective Rent			Physical Vacancy		
	3Q10	3Q11	Change	3Q10	3Q11	Change
Central	\$642	\$658	2.5%	6.4%	5.6%	-80 bps
North	\$497	\$509	2.4%	9.0%	7.7%	-130 bps
South Greenville County	\$675	\$689	2.1%	8.6%	7.0%	-160 bps
Spartanburg County	\$573	\$592	3.3%	10.2%	7.5%	-270 bps
Anderson County	\$556	\$554	-0.4%	6.6%	5.9%	-70 bps
Metro	\$596	\$610	2.3%	8.4%	6.8%	-160 bps

RED CAPITAL GROUP

For more information about RED's research and origination capabilities contact:

Kenneth H. Bowen

President, Red Mortgage Capital, LLC.
khbowen@redcapitalgroup.com
614-857-1482

Daniel J. Hogan

Director, Research
djhogan@redcapitalgroup.com
614-857-1416



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