

PAYROLL JOB SUMMARY

Total Payrolls	1,902.4m
Annual Change	42.0m (2.3%)
2015 Forecast	39.1m (2.1%)
2016 Forecast	32.1m (1.7%)
2017 Forecast	21.7m (1.1%)
2018 Forecast	16.4m (0.8%)
Unemployment (NSA)	6.6% (May)

1Q15 PAYROLL TRENDS AND FORECAST

Motor City payroll trends found another gear during the first quarter as establishments added workers at a 42,000-job, 2.3% year-on-year pace, representing the fastest growth since summer 2013. Business service employers were largely responsible. Sector firms added to headcounts at an 11,100-job, 3.1% pace, up from 4Q14's anemic 2,400-job, 0.7% advance. Robust growth also was observed in the automobile and construction industries which collectively added 17,100 (11.1%) jobs y-o-y, up from 4Q14's 8.8% advance.

Preliminary data suggest that the second quarter got off to a flying start. Annual comparisons were up 50,300

(2.7%) jobs in April and May, representing the fastest expansion in three years. Likewise, seasonally-adjusted data show a net 6,600-job gain in April and May following 1Q15's historic 19,100-job advance, the second largest one quarter net gain recorded in the past 15 years.

RED CAPITAL Research specified a 96.5% adjusted-R² payroll forecasting equation for Detroit using U.S. payroll job, nominal GDP, industrial production and Detroit income growth and the fed funds rate as independent variables. The model produces a forecast of constructive job creation in 2015 and 2016 followed by moderately slower than U.S. average trends in the forecast out years.

OCCUPANCY RATE SUMMARY

Occupancy Rate (Reis)	97.2%
RED 50 Rank	8 th
Annual Chg. (Reis)	+0.6%
RCR YE15 Forecast	97.3%
RCR YE16 Forecast	97.2%
RCR YE17 Forecast	97.2%
RCR YE18 Forecast	97.0%

1Q15 ABSORPTION AND OCCUPANCY RATE TRENDS

Tenant demand for Detroit apartment space was moderately softer during the first quarter but well above average for the seasonally-weak winter period. Renters net leased 346 units January-to-March, down from 551 and 442 during the year-earlier and previous quarters, respectively, but still better than the -42-unit 16-year 1Q average. Developers delivered 67 units, according to Reis (first supply since 2013), allowing occupancy to rise 20 basis points sequentially to 97.2%, a 26-year Reis data series high.

Axiometrics surveys of 201 larger properties arrived at a different result, finding 93.1% of stabilized property units

occupied, down 30 bps y-o-y. Second quarter occupancy improved, rising to 94.6%, led by class-A (96.0%) and class-B (95.1%) properties counterbalanced in no small measure by weak performance among class-C (90.9%) assets.

RCR's occupied stock model achieves a 94.1% ARS using current rent and personal income and lagged payroll growth as independent variables. The model produces a forecast of steady absorption in the 1,000- to 1,300-unit trailing 12-month range through 2017, followed by moderately slower demand in the out-years. As a result, occupancy is projected to fall about 30 bps from current levels.

EFFECTIVE RENT SUMMARY

Mean Rent (Reis)	\$850
Annual Change	2.5%
RED 50 Rent Change Rank	43 rd
RCR YE15 Forecast	2.9%
RCR YE16 Forecast	2.2%
RCR YE17 Forecast	2.2%
RCR YE18 Forecast	1.8%

1Q15 EFFECTIVE RENT TRENDS

Reis report that Detroit rents advanced \$3 (0.4%) from quarter-to-quarter, comparing favorably to the 0.2% 16-year 1Q historical average and the 0.2% decline posted in 1Q14. As a result, the year-on-year growth metric improved to 2.5% from 2.0% in the prior period, representing the fastest rent growth recorded in Motor City since 2013.

Axiometrics recorded 3.2% and 3.3% unit-weighted average y-o-y gains during 1Q15 and 2Q15, respectively, boosted by robust sequential increases (1.6%/2.9%) in both quarters. Classes A & B provided the primary impetus, the former rising 3.7% and 3.5% y-o-y in 1Q15 and 2Q15, respectively,

the latter 3.1% and 3.7%. Class-C trends were less favorable, generating negative sequential growth during 1Q15 and only a 1.3% y-o-y increase in 2Q15. Novi (6.8%) and Oak Park (4.2%) submarkets chalked down the largest y-o-y gains; Downtown (0.6%) and Dearborn (1.7%) the smallest.

RCR specified a 93.3% ARS (SE=0.5%) rent forecasting model using current payroll and lagged U.S. personal income growth as independent variables. The model signals mid-to-high 2% rent growth through 2016, followed by a gradual deceleration to sub-2% growth rates by 2018. The 2.1% compound growth rate ranks 33rd among the **RED 46**.

TRADE & RETURN SUMMARY

\$2mm+ / 80-unit+ Sales	7
Approx. Proceeds	\$59.5mm
Avg. Cap Rate (FNM)	6.5%
Avg. Price/Unit	\$42,400
Expected Total Return	7.6%
RED 46 ETR Rank	11 th
Risk-adjusted Index	4.32
RED 46 RAI Rank	27 th

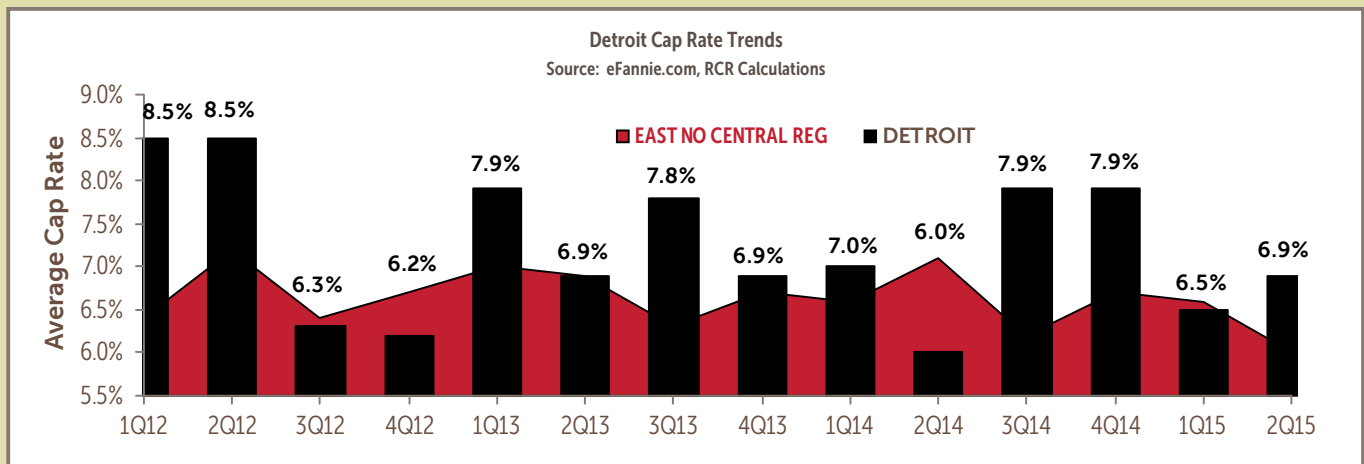
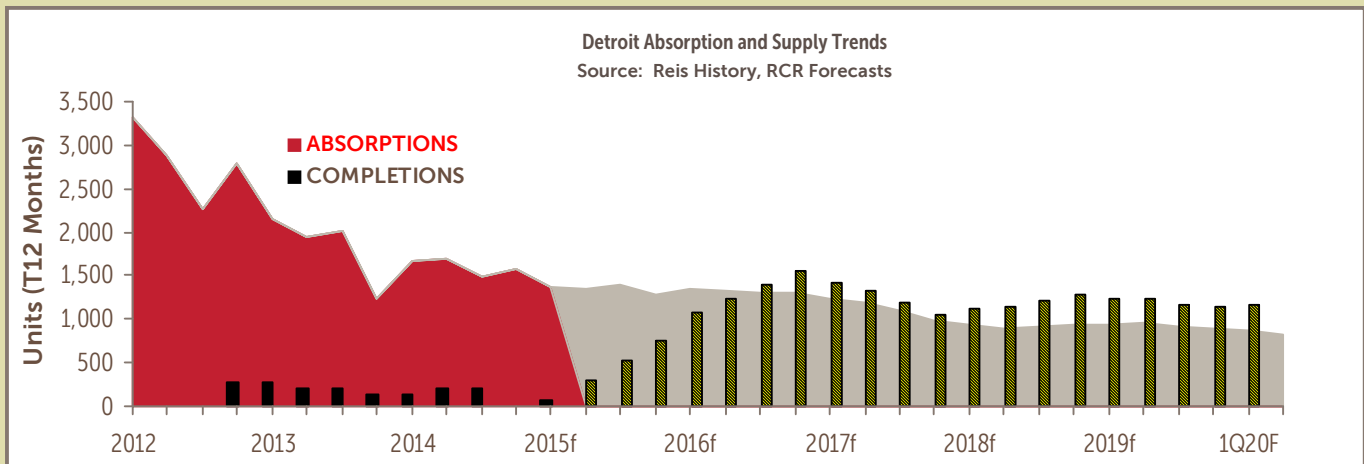
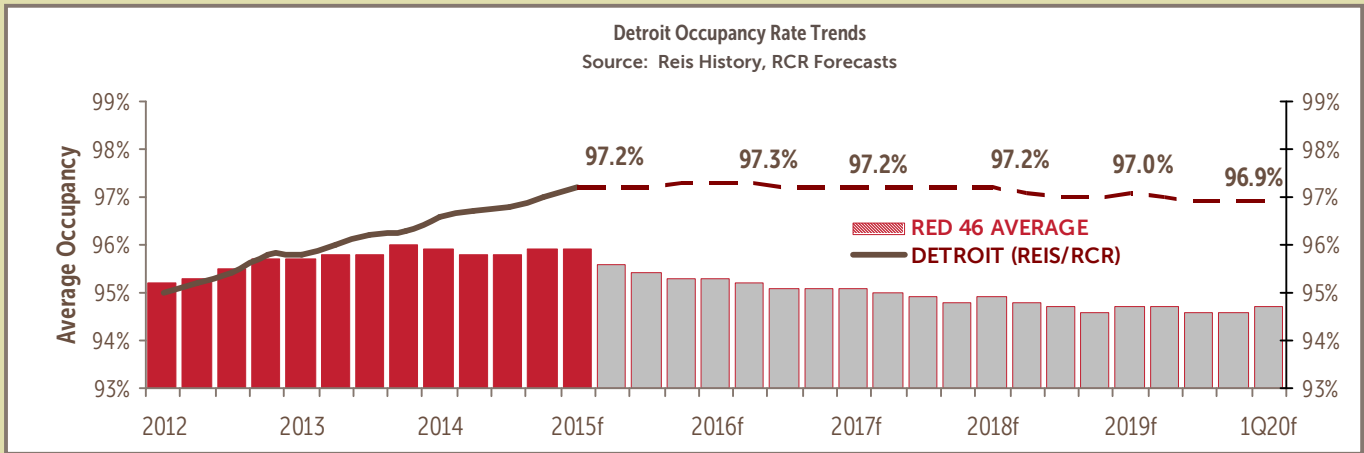
1Q15 PROPERTY MARKETS AND TOTAL RETURNS

Trade velocity in Detroit properties was steady during the first quarter as seven sales of properties valued at \$2 million or more were recorded, on par with 4Q14's eight transaction tally. Exchanged properties tended to be smaller and older than assets traded during 4Q14, however, resulting in steep drops in total proceed and average unit price metrics. First quarter sales totaled only \$59.5mm in proceeds with an average price per unit statistic of \$42,400. This compares to \$132mm and \$62,202 respectively during the prior quarter.

Going-in yields of the class-B- and class-C+ property sales that predominated in early 2015 trade ranged from the mid

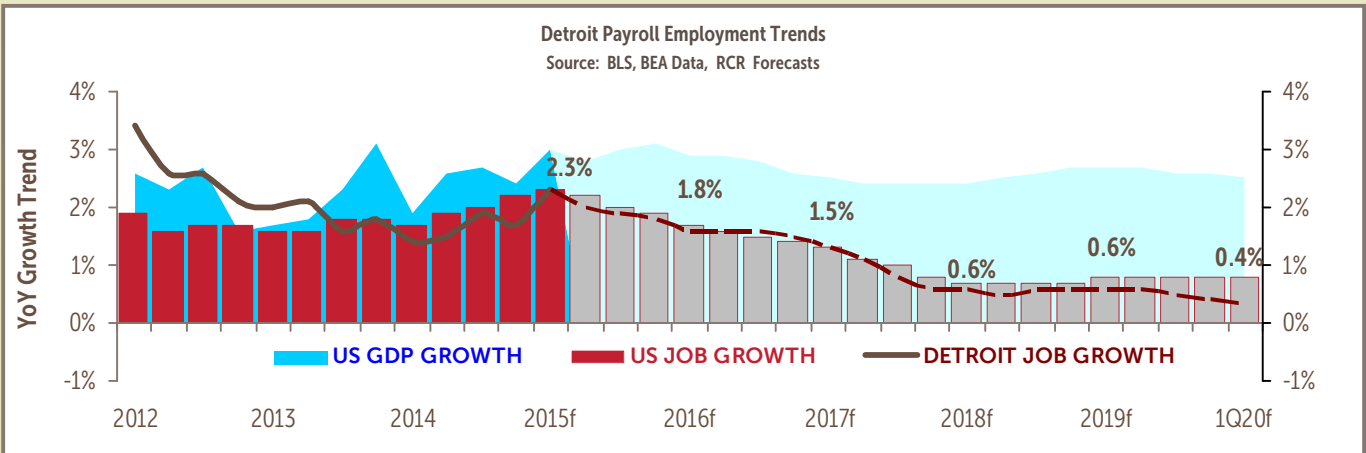
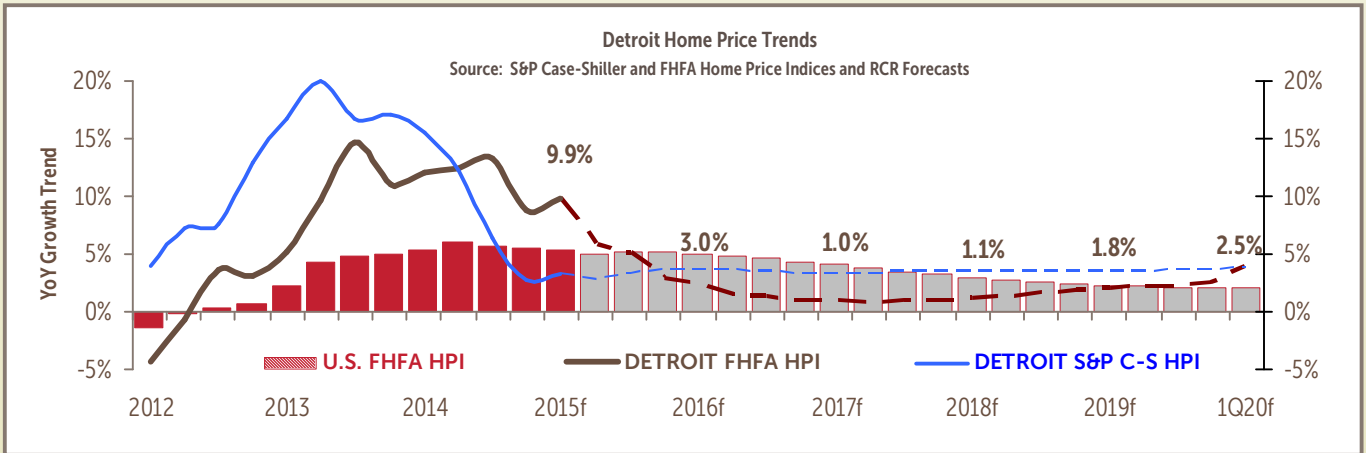
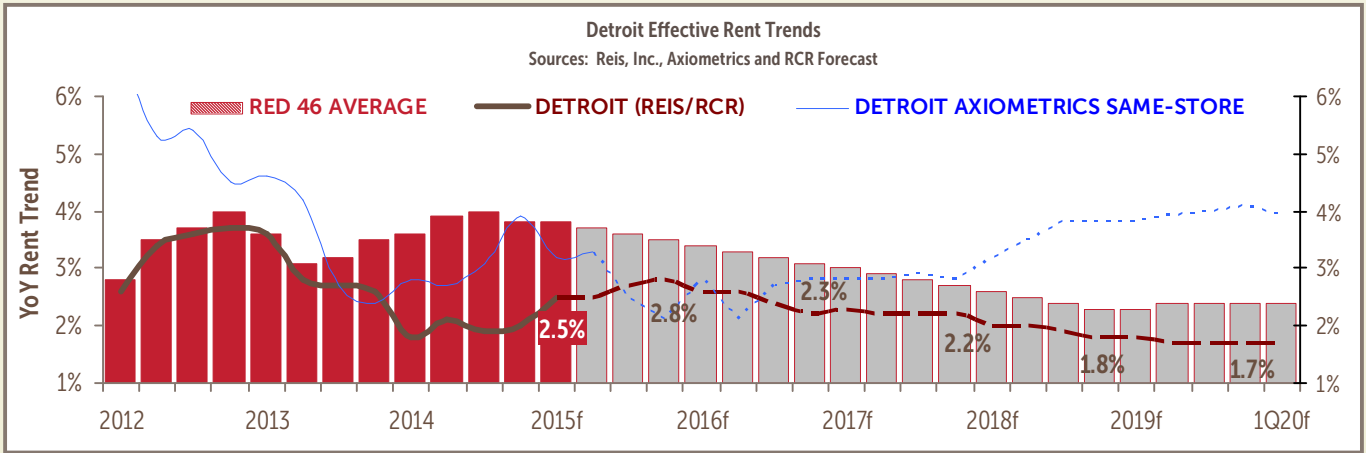
-6% to low-7% area. An Auburn Hills wood frame mid-rise with structured parking was the nearest thing to an institutional quality trade. We estimate the 2013-vintage class-B asset was priced to yield about 6.5%

In view of recent trade we chose to reduce the generic Detroit cap rate 50 bps to 6.5%. Using this purchase rate, a 7.2% terminal cap rate and model derived occupancy and rent forecasts, **RCR** estimate that a purchaser of a generic class-B/B+ Detroit property would expect to earn a 7.6% 5-year, unlevered total return, ranked #11 among the **RED 46**. Detroit has had its ups and downs, however, so risk-adjusted returns fall in the mid-ranks (27th)..



NOTABLE TRANSACTIONS

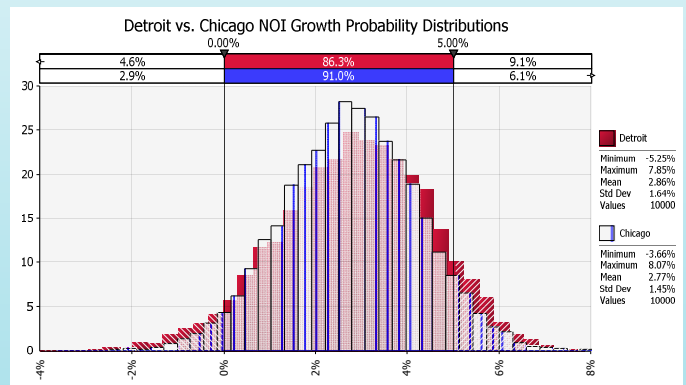
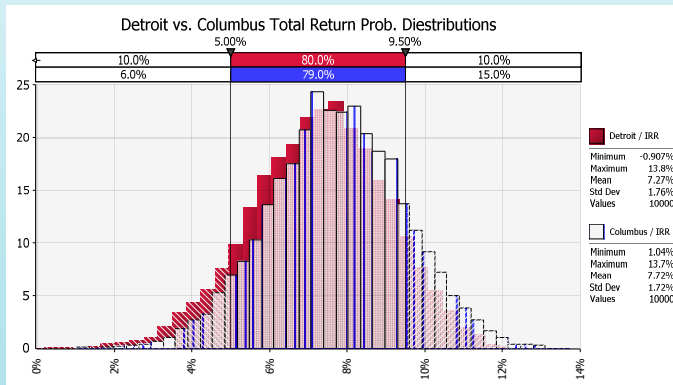
Property Name (Submarket)	Property Class/ Type (Constr.)	Approx. Date of Transaction	Total Price / (in millions)	Price / per unit	Estimated Cap Rate
Auburn Square (Oakland Co./Auburn Hills)	B+ / MR (2013)	28-Jan-2015	\$9.7	\$99,485	6.5%
Clinton Place Apts. (Macomb County)	B / GLR (1988)	7-Apr-2015	\$16.5	\$81,510	6.5%
Beachwood Apts. (Macomb County)	C+ / GLR (1980)	6-May-2015	\$18.5	\$49,202	7.1%
Georgetown Park (Genesee County)	B / GLR (1987)	29-May-2015	\$33.0	\$68,750	6.8%
Somerset Park (Troy)	B / GLR (1965)	Pending	\$216.0 (approx.)	\$97,035 (approx.)	7.1%



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SUBMARKET TRENDS (REIS)

Submarket	Effective Rent			Physical Vacancy		
	1Q14	1Q15	Change	1Q14	1Q15	Change
Ann Arbor	\$931	\$970	4.2%	2.3%	1.7%	-60 bps
Dearbrn/Dearbrn Heights	\$780	\$790	1.2%	4.1%	3.6%	-50 bps
Downriver / South Wayne	\$725	\$741	2.1%	2.8%	1.7%	-110 bps
Downtown	\$947	\$992	4.8%	6.5%	5.7%	-80 bps
Farmington Hills	\$968	\$997	3.0%	4.2%	4.0%	-20 bps
Macomb County	\$737	\$752	2.1%	2.6%	2.0%	-60 bps
Midtown / West Detroit	\$582	\$602	3.3%	9.0%	7.3%	-170 bps
Novi / Livonia	\$875	\$890	1.8%	4.9%	4.4%	-50 bps
Oak Park / Royal Oak	\$703	\$723	2.8%	1.1%	1.6%	50 bps
Pontiac / Waterford	\$835	\$860	2.9%	3.5%	2.7%	-80 bps
Southfield	\$896	\$919	2.6%	2.6%	2.3%	-30 bps
Troy	\$1,005	\$1,040	3.6%	2.7%	1.9%	-80 bps
Westland	\$757	\$765	1.0%	1.6%	1.4%	-20 bps
Metro	\$829	\$850	2.5%	3.4%	2.8%	-60 bps



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