

PAYROLL JOB SUMMARY

Total Payrolls	1,013.3m
Annual Change	22.8m (2.3%)
2015 Forecast	21.6m (2.1%)
2016 Forecast	16.8m (1.6%)
2017 Forecast	13.5m (1.3%)
2018 Forecast	11.3m (1.1%)
Unemployment (NSA)	4.0% (May)

1Q15 PAYROLL TRENDS AND FORECAST

Year-on-year Columbus payroll trends rebounded from 4Q14's lull, accelerating from a 4-year low 17,600-job, 1.7% gain to a 22,800-job, 2.3% advance during 1Q15. Consumer-driven sectors led the way as the construction, retail trade and leisure service industries expanded collectively at a 7,600-job, 3.4% pace, up from 4Q14's 1,900-job, 0.8% annual increase. The high wage professional, scientific, technical and health care services sectors also chalked down solid gains as headcounts rose at a combined 9,230-job, 5.0% rate, up from 6,470 jobs in 4Q14.

The second quarter got off to a slower start as year-on-year comparisons in April and May showed only a 15,900-

job increase, the smallest two-month average since winter 2011. Likewise, seasonally-adjusted data were soft, posting month-to-month losses in February, March and May and a net gain of only 1,800 jobs January to May.

RCR's Columbus payroll growth model achieves a 96.7% adjusted-R² using U.S. payroll and home price growth, and the third lag of GDP as independent variables. The model projects gradually slowing employment growth, falling from 2.2% in 2014 to 2.1% in 2015; 1.6% in 2016 and 1.3% in 2017. Deceleration is largely attributable to anticipated slower economic growth nationally, particularly with respect to U.S. job expansion and home appreciation.

OCCUPANCY RATE SUMMARY

Occupancy Rate (Reis)	95.0%
RED 50 Rank	39 th
Annual Chg. (Reis)	-0.6%
RCR YE15 Forecast	94.3%
RCR YE16 Forecast	94.5%
RCR YE17 Forecast	94.2%
RCR YE18 Forecast	93.7%

1Q15 ABSORPTION AND OCCUPANCY RATE TRENDS

Columbus households continued to show preference for rental tenancy, absorbing 459 vacant units during the first quarter, easily exceeding the 16-year, 66-unit winter quarter average as well as the 4Q14 comparison (403 units). As only 56 units were added to the metro inventory, occupancy increased 30 basis points sequentially to 95.0%, a gain bettered by only six of the nation's 65 largest markets.

Axiometrics surveys uncovered similar results. All stabilized properties were 95.4% occupied, down 20 bps sequentially and unchanged year-on-year. Class-B properties recorded the highest occupancy rate (95.5%) for

the first time in 9 months. The class-C segment continued to trail at 94.4%, while Class-A assets averaged 95.4%. Grove City submarket recorded the highest occupancy (95.9%), followed by Dublin/Powell (95.7%). Groveport (1.5%) and popular OSU/Downtown (2.8%) submarkets recorded the largest annual occupancy gains. Four properties remained in lease-up. A class-B+ New Albany asset thrived, filling 230 units in 13 months, the balance leased up gradually.

RCR's absorption model is optimistic but supply levels are likely to be too great to sustain current occupancy levels. Metro occupancy is likely to drop about 170bps by 2019.

EFFECTIVE RENT SUMMARY

Mean Rent (Reis)	\$736
Annual Change	3.4%
RED 50 Rent Change Rank	27 th
RCR YE15 Forecast	2.6%
RCR YE16 Forecast	2.5%
RCR YE17 Forecast	2.5%
RCR YE18 Forecast	2.1%

1Q15 EFFECTIVE RENT TRENDS

Reis report that metro rents inched \$2 (0.3%) higher during the first quarter, representing the smallest sequential quarter advance since 2010. As a result, the year-on-year comparison declined from a robust 3.8% gain in 4Q14 to 3.4%. Granting that the winter quarter is the weakest for rents on the calendar, the slow start does not bode well for the year.

Axiometrics surveys of larger, professionally managed assets uncovered a similar result. Rents for stabilized same-store units were unchanged sequentially at \$793 in 1Q15, representing the second consecutive quarter of flat rent trends. The year-on-year comparison stumbled from 3.9%

in 4Q14 to 3.3%. Class-B properties exhibited the greatest weakness, falling -\$3 (-0.4%) sequentially, while classes-A&C scratched out 0.5% average gains. Grove City and Arlington submarkets posted the largest y-o-y growth (5.7%); Dublin (1.3%) and Southeast (1.8%) the slowest.

RCR's rent model achieves a 93.1% ARS using five lags of the dependent variable, current personal income growth and the third lag of changes in metro occupancy as independent variables. The model projects slower rent growth as supply pressures force occupancy down further and personal income growth decelerates.

TRADE & RETURN SUMMARY

\$5mm+ / 80-unit+ Sales	8
Approx. Proceeds	\$163mm
Avg. Cap Rate (FNM)	6.6%
Avg. Price/Unit	\$44,917
Expected Total Return	7.9%
RED 46 ETR Rank	8 th
Risk-adjusted Index	4.54
RED 46 RAI Rank	24 th

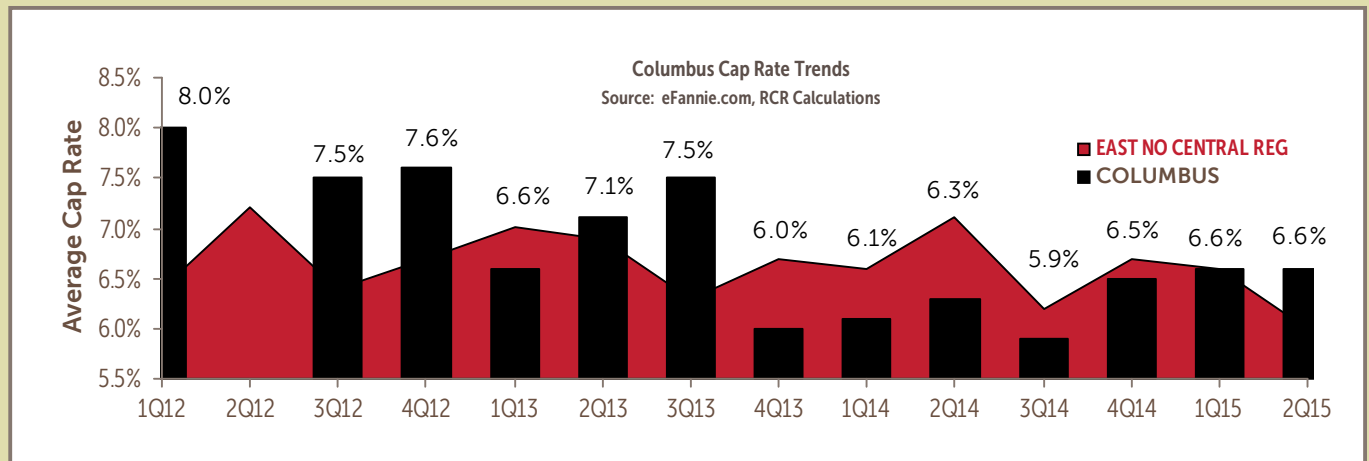
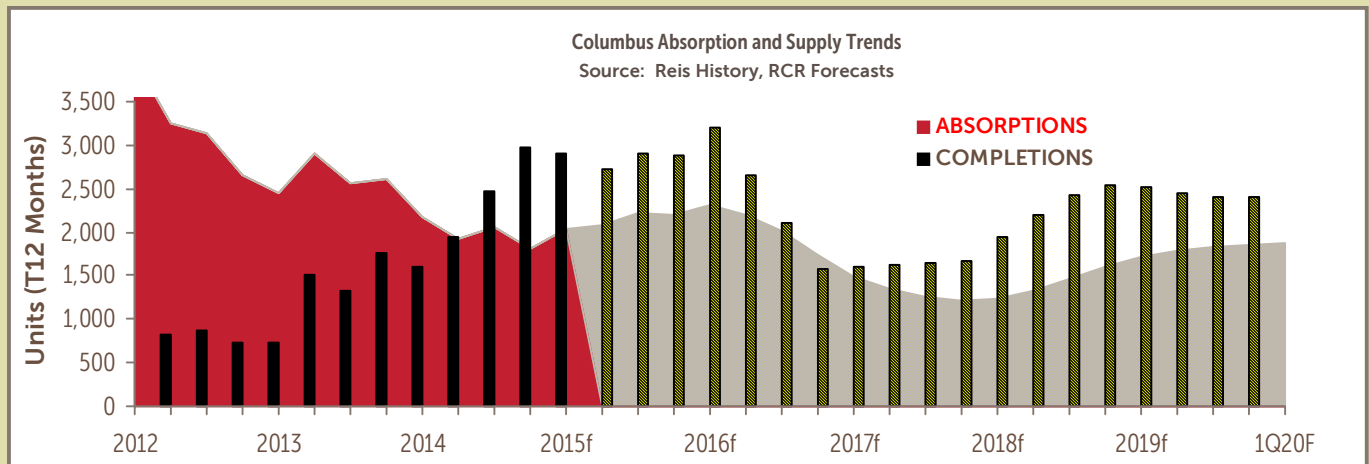
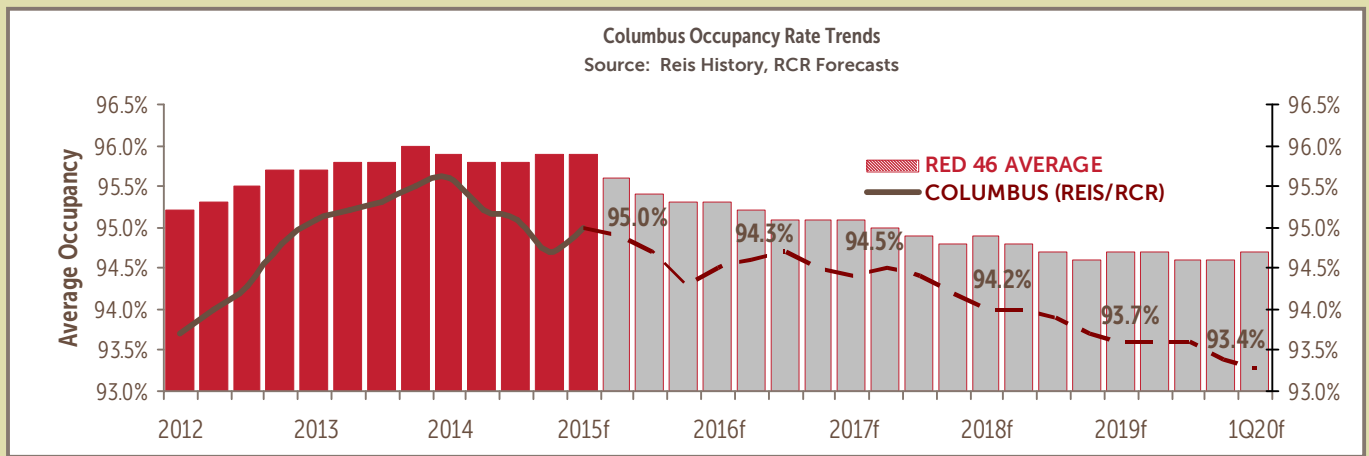
1Q15 PROPERTY MARKETS AND TOTAL RETURNS

Trade velocity in Columbus assets continued to decelerate from 3Q14's torrid 31 closings/\$525 million pace, slowing to 8 trades for total proceeds of \$119.5mm, down from 10 sales for \$162.5mm during 4Q14. The average price per unit sold was \$44,917, down from 4Q's \$69,223 metric and the smallest average unit price statistic observed since 2Q14 (\$42,842)

Investors focused primarily on infill class-C renovation and repositioning plays during the first and second quarters. Only one recent construction class-B+/A property exchanged hands. The B+ garden apartment complex near New Albany traded at a cap rate in the high 4% area. The

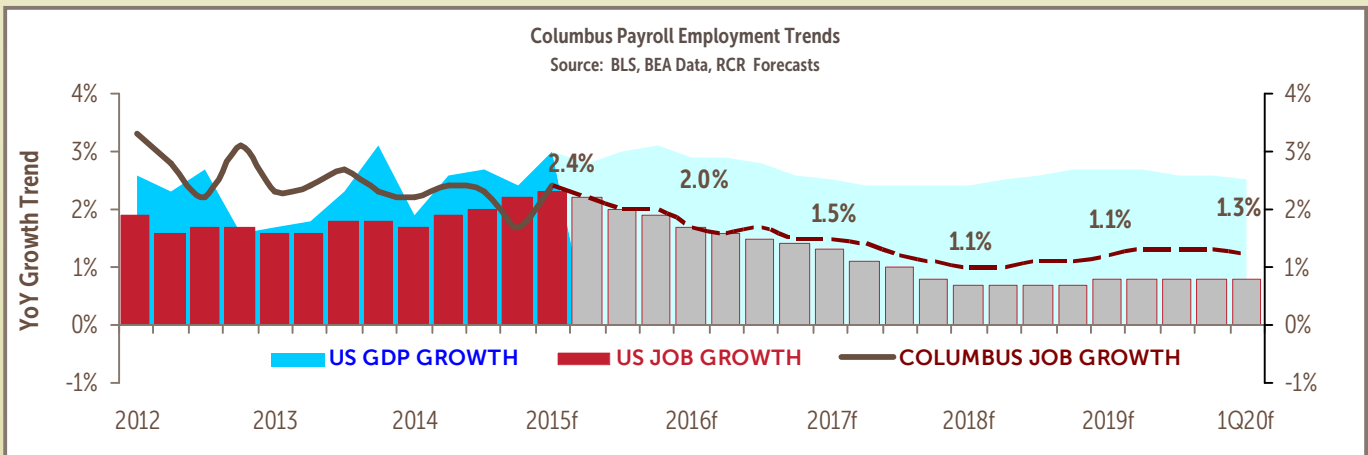
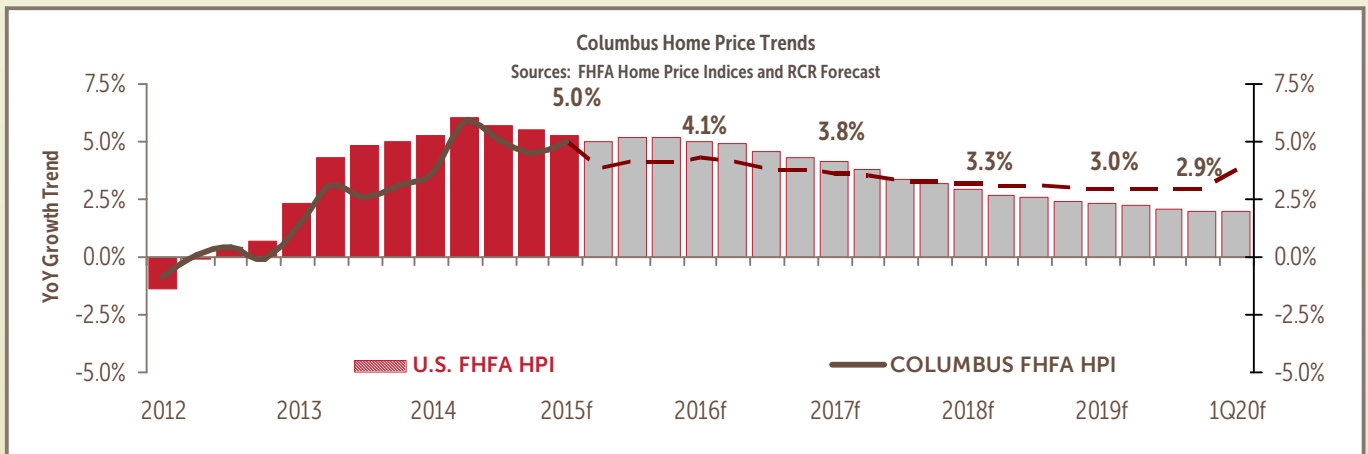
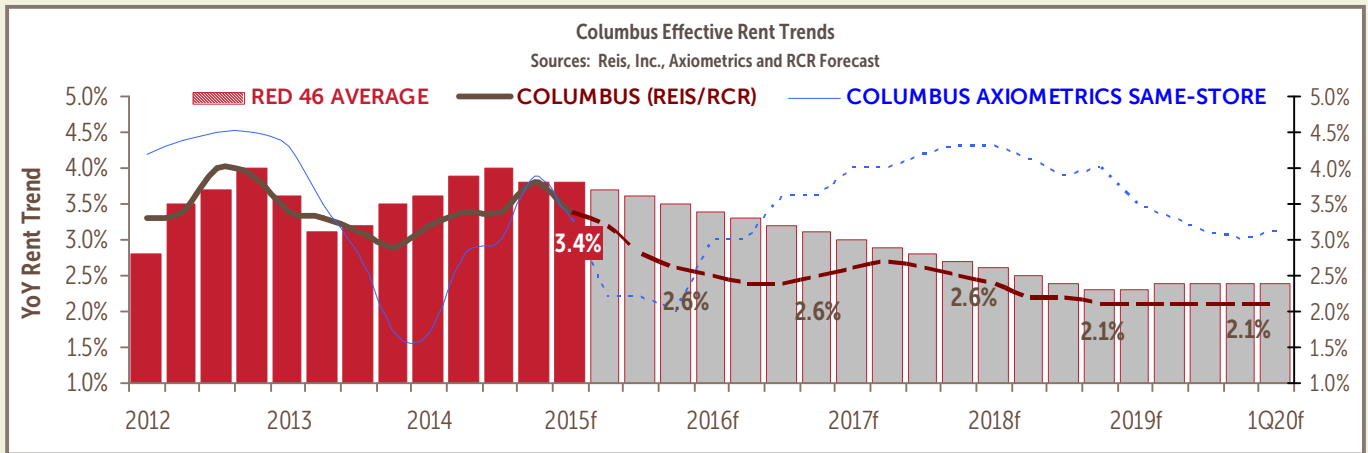
asset was underwritten with a 7% pro forma cap rate. Otherwise, class-C repositioning plays sold at prices equating to in-place yields in the 9% - 12% range but lower pro forma cap rates when deferred maintenance and renovation costs are accounted for.

Using 6.75% as a generic purchase cap rate and a 7.4% terminal cap rate, RCR estimate that an investor in Columbus assets may expect to generate unlevered total returns of about 7.8% over a five-year holding period. The metric ranks 8th among the 46 markets we cover and model. By way of risk-adjusted returns, Columbus ranks rather lower (24th) due to high absorption and supply volatility.



NOTABLE TRANSACTIONS

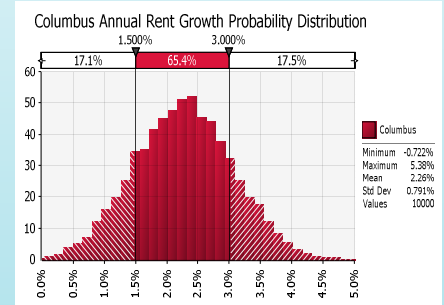
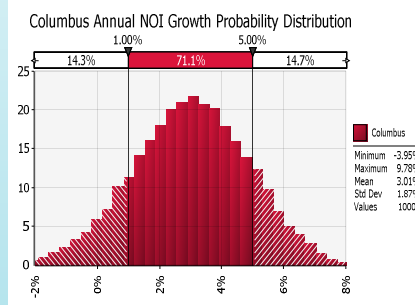
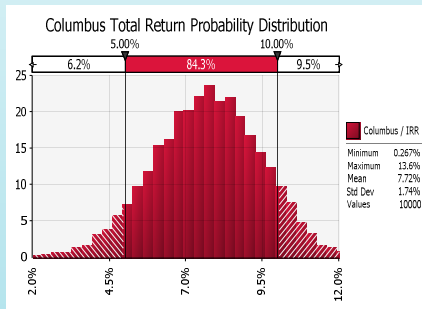
Property Name (Submarket)	Property Class/ Type (Constr.)	Approx. Date of Transaction	Total Price / (in millions)	Price / per unit	Estimated Cap Rate
Big Walnut Apartments (Whitehall)	B / GLR (1971)	2-Feb-2015	\$13.7 (allocated)	\$54,582	5.8%
Colonial Village (Whitehall/Gahanna)	C / GLR (1964)	3-Feb-2015	\$4.3	\$8,268	Sub-reno.
Silvertree at Little Turtle (Westerville / NE)	B / GLR (1986)	16-Apr-2015	In Process	In Process	Sub-reno.
Mayfair Village (Whitehall)	C+ / GLR (1949)	30-Apr-2015	\$9.0	\$25,862	9.5%
Wesbury Park (Northeast)	B+ / GLR (2013)	30-Apr-2015	\$14.2	\$178,750	4.7%



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SUBMARKET TRENDS (REIS)

Submarket	Effective Rent			Physical Vacancy		
	1Q14	1Q15	Change	1Q14	1Q15	Change
Bexley	\$643	\$661	2.7%	5.2%	7.7%	250 bps
Dublin / Powell	\$756	\$833	10.2%	4.2%	3.8%	-40 bps
Grove City	\$642	\$665	3.5%	5.6%	5.6%	0 bps
Groveport	\$650	\$675	3.8%	3.9%	2.8%	-110 bps
Hilliard	\$766	\$812	5.9%	4.3%	7.4%	310 bps
Northeast	\$634	\$649	2.5%	3.5%	3.0%	-50 bps
Sharon / Worthington	\$671	\$698	4.1%	3.7%	3.1%	-60 bps
Southeast	\$549	\$559	1.8%	4.5%	4.2%	-30 bps
University / Downtown	\$880	\$903	2.6%	5.7%	6.2%	50 bps
Upper Arlington	\$762	\$789	3.5%	3.0%	4.0%	100 bps
Westerville	\$871	\$886	1.7%	3.8%	8.3%	450 bps
Whitehall / Gahanna	\$637	\$658	3.4%	4.8%	4.2%	-60 bps
Metro	\$712	\$736	3.4%	4.4%	5.0%	60 bps



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