

PAYROLL JOB SUMMARY

Total Payrolls	2,577.0m
Annual Change	80.8m (3.2%)
RCR 2015 Forecast	78.5m (3.1%)
RCR 2016 Forecast	49.4m (1.9%)
RCR 2017 Forecast	47.5m (1.8%)
RCR 2018 Forecast	45.1m (1.7%)
Unemployment (NSA)	5.7% (Aug.)

2Q15 PAYROLL TRENDS AND FORECAST

The annual rate of job creation in the Atlanta metro area fell below 90,000 jobs for the first quarter since 1Q14, slowing from a torrid 98,500-job, 4.0% clip in 1Q15 to an 80,800-job, 3.2% pace in 2Q. Preliminary August data hinted at further deceleration as aggregate employment rose only 66,400 jobs above the 2014 comparison, the smallest 12-month add recorded since February 2014.

Growth was moderately slower in most sectors, with the largest declines observed in goods producing and skilled service industries. Hiring in manufacturing, wholesale trade and construction slowed to a 10,330-job rate from 14,900 in 1Q, while professional business and health care services decelerated from a 22,900-job, 5.1% 1Q surge to

a 16,400-job, 3.6% gain. Likewise, seasonally-adjusted payrolls increased by 15,700 jobs in 2Q15, down from a 15-year high 27,900-job advance in the prior year period.

RED Research models foresee further slowing to evolve through the winter before the rate of hiring levels off in the high-1% range in 2016. The model achieves a 97.8% adjusted-R² (S.E.=0.4%) using the rate of change of U.S. payroll growth (+), and 10-year Treasury and Baa bond yields (-) as independent variables. U.S. payroll growth is projected to slow to the low-1% area by YE17, and the rate of metro progress is likely to follow suit with some degree of operating leverage, dropping annual gains to the 45,000- to 50,000-job range beginning next year.

OCCUPANCY RATE SUMMARY

Occupancy Rate (Reis)	94.2%
RED 50 Rank	46 th
Annual Chg. (Reis)	-0.1%
RCR YE15 Forecast	94.5%
RCR YE16 Forecast	94.6%
RCR YE17 Forecast	94.4%
RCR YE18 Forecast	93.9%

2Q15 ABSORPTION AND OCCUPANCY RATE TRENDS

Apartment demand was exemplary during the spring as renters net leased 1,484 vacant units, according to Reis, representing the strongest second quarter since 2011. But supply came on line at an even faster pace as developers completed 2,588 units. As a result, average occupancy declined 20 basis points sequentially and 10 bps year-over-year to 94.2%, the fourth lowest metric among the RED 50.

Axiometrics surveys of 1,085 stabilized Atlanta properties recorded average occupancy of 93.8%, up 60 bps y-o-y. A sample of 681 class-B assets recorded the highest overall occupancy at 94.9%. Class-A properties followed at 94.2%, while class-C lagged (89.8%). Gwinnett County and Ro-

swell submarkets posted highest occupancy rates (95.0%-95.6%); South DeKalb (87.2%) and Decatur (90.8%) the lowest. New properties absorbed 15 units/month, up from 12 during 1Q, equating to a standard 18-month lease-up.

RCR specified a 94.6% ARS (S.E.=0.3%) occupied stock growth model using inventory and payroll growth and the slope of the yield curve (+) and home price appreciation (-) as independent variables. The results are constructive, projecting annual absorption of between 5,000 and 6,400 units per year for 2016-18. But supply is likely to be greater after 2016, giving rise to gradual occupancy rate decay at the rate of 20 to 50 basis points annually.

EFFECTIVE RENT SUMMARY

Mean Rent (Reis)	\$869
Annual Change	4.4%
RED 50 Rent Change Rank	13 th
RCR YE15 Forecast	4.2%
RCR YE16 Forecast	3.3%
RCR YE17 Forecast	2.9%
RCR YE18 Forecast	2.5%

2Q15 EFFECTIVE RENT TRENDS

Supply-driven occupancy decline notwithstanding effective rent trends surged during the spring. Rents increased \$12 (1.4%) sequentially to \$869, according to Reis, the largest absolute and percentage gains recorded in 15-years. Class-A (54% of Reis's survey sample) was largely responsible for forward momentum as class asking rents increased 1.7% quarter-to-quarter vs. 0.8% for class-B&C units.

Axiometrics same-store comparisons yielded even stronger results. This service reported unit-weighted average year-on-year gains of 8.2%, representing the fastest growth in the cycle. Concessions averaged -0.7%, down from -1.2%

in the year-earlier period. Class-B properties posted the fastest rent gains (9.5%), followed by classes-A (6.3%) and -C (5.6%). Roswell, No. Gwinnett, Marietta and Smyrna submarkets notched 9%+ rent growth, while Atlanta/Fulton and South Fulton Co. trailed in the mid-5% range. Buckhead rents advanced 3.7% and concessions rose to -0.5%.

The Atlanta rent model is straightforward, consisting of two lags of the dependent variable and current payroll and inventory growth. The 93.7% ARS (S.E.=0.86%) model projects 4%+ y-o-y growth through 1Q16, followed by gradual deceleration to the 2.2% long-term rent trend average.

TRADE & RETURN SUMMARY

\$5mm+ / 120-unit+ Sales	40
Approx. Proceeds	\$1.06bn
Avg. Cap Rate (FNM)	5.2%
Avg. Price/Unit	\$90,606
Expected Total Return	6.3%
RED 46 ETR Rank	34 th
Risk-adjusted Index	3.25
RED 46 RAI Rank	39 th

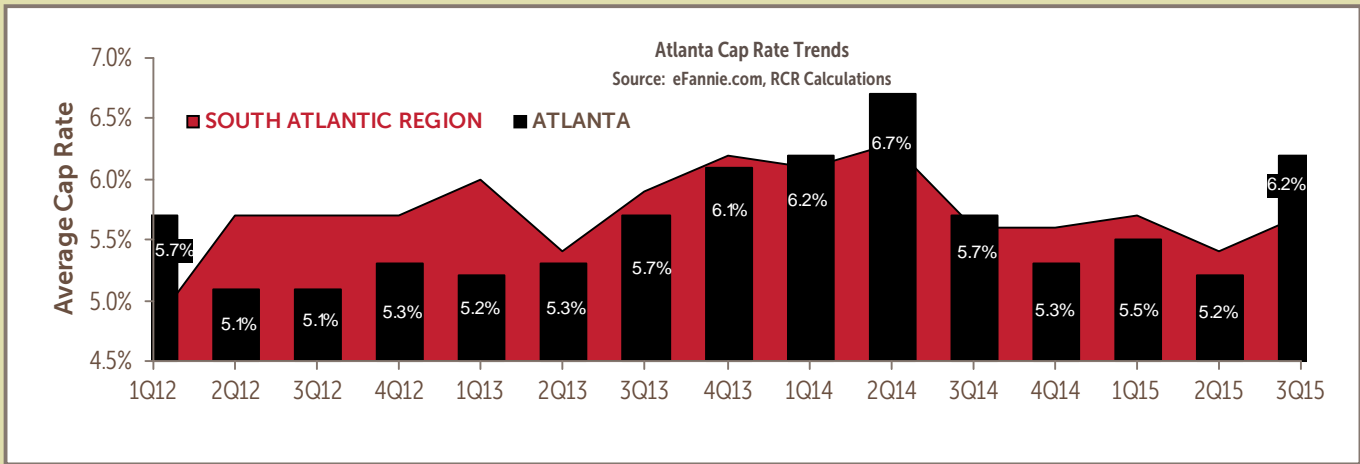
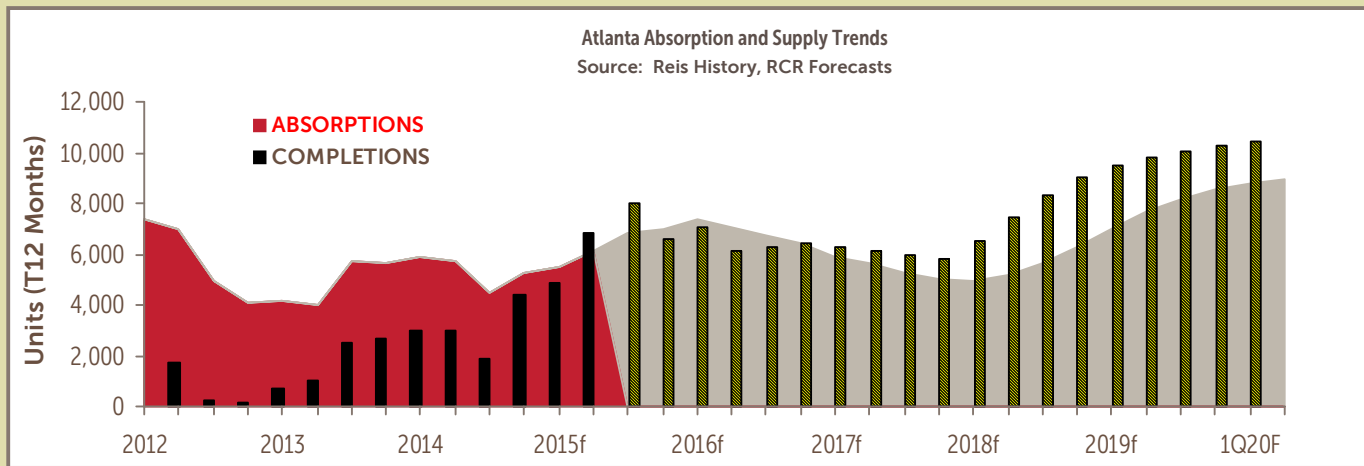
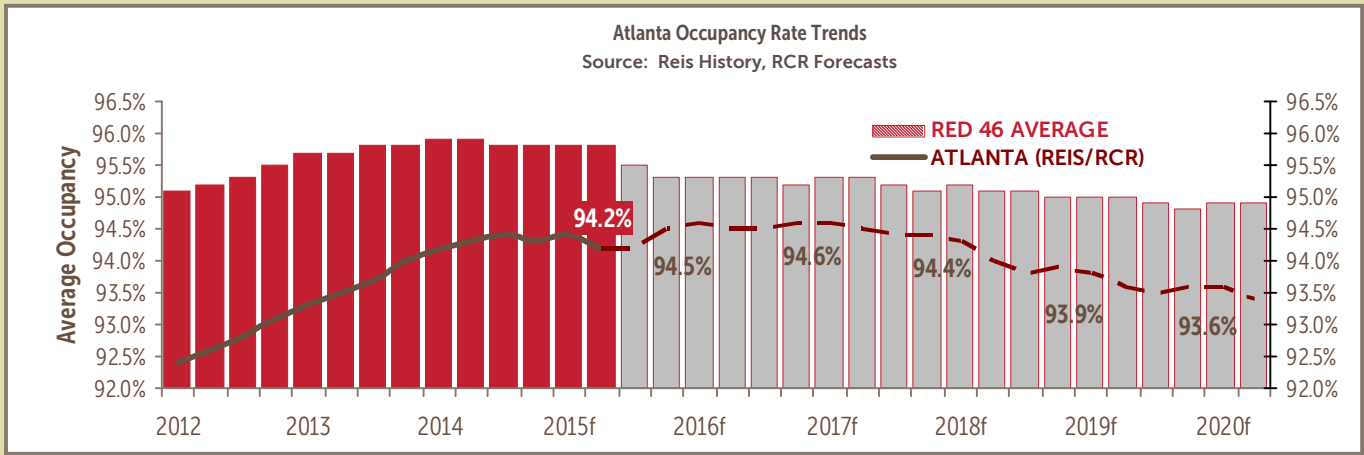
2Q15 PROPERTY MARKETS AND TOTAL RETURNS

Sales of Atlanta properties declined moderately from 1Q15 and 4Q14 levels as 40 \$5 million or greater properties of 120 units exchanged hands, down from 50 and 80 in prior quarters. Transactions proceeds totaled \$1,056mm, declines from \$1,508mm and \$2,502mm. Investors acquired a 11,660 units at an average cost of \$90,606, also decreases from \$93,774 and \$102,563 metrics in earlier quarters.

Lower average unit prices were attributable to the shift of investor preference toward older, value-add properties. The average age of traded assets drifted up from 23 years in 4Q14 to 27 in 3Q15. Only 19% of assets acquired in 3Q15 were built since 2000, down from 35% in 4Q14. Recent

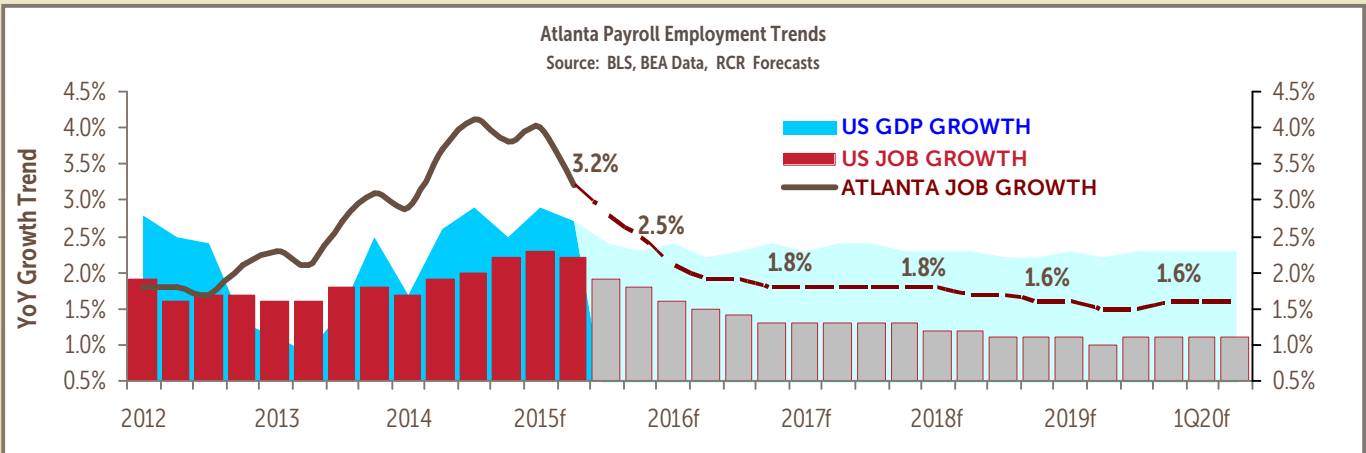
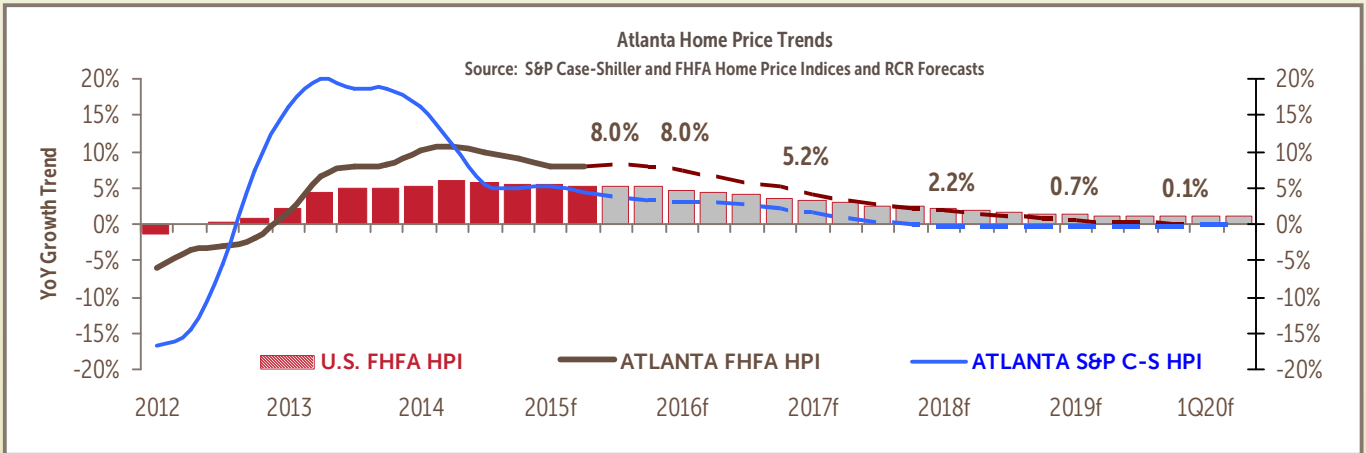
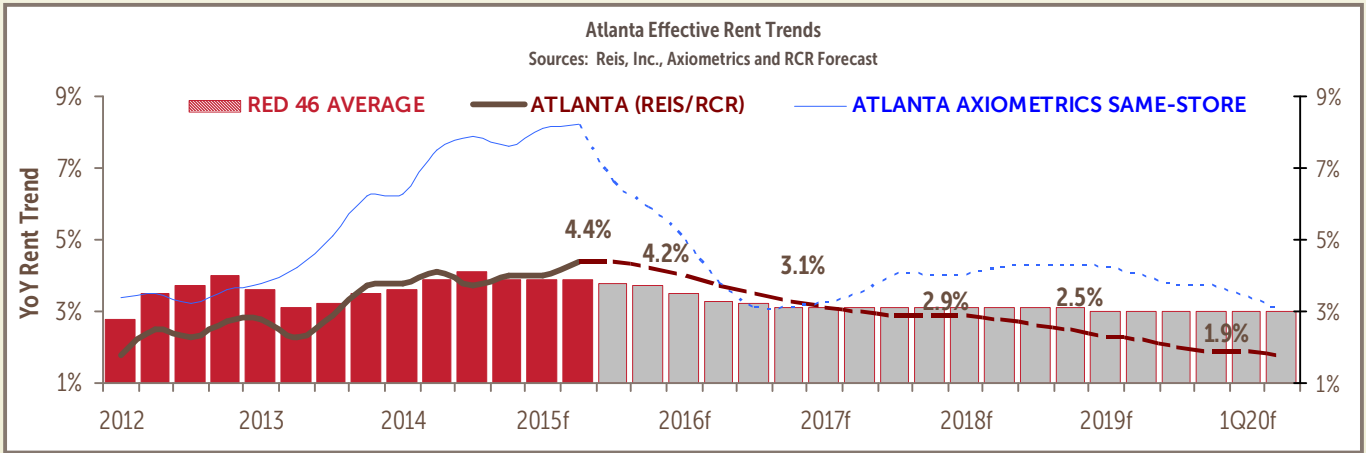
construction properties traded in the 5%-5.5% cap rate range. Nineties vintage product was priced to 5.5%-6.5% yields, while 25-40 year old assets traded from 6%-7.5%.

Reflecting the moderate decrease in Atlanta trade velocity and recent deal pricing, RCR elected to raise the metro cap rate proxy 10 basis points to 5.5%. At this purchase level, a terminal cap rate of 6.3% and model derived occupancy and rent point estimates, we calculate that an Atlanta investor would expect to achieve a 6.3% unlevered total return over a five-year hold, ranking 34th among the RED 46. Above average rent volatility hampers risk-adjusted returns. Atlanta's 3.25 risk-adjusted index ranks R46 39th.



NOTABLE TRANSACTIONS

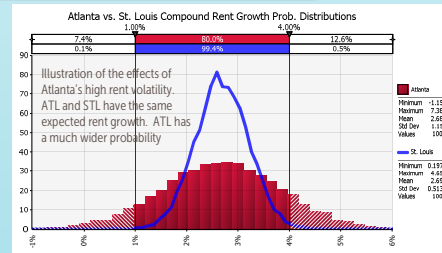
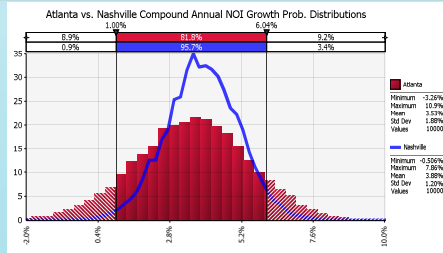
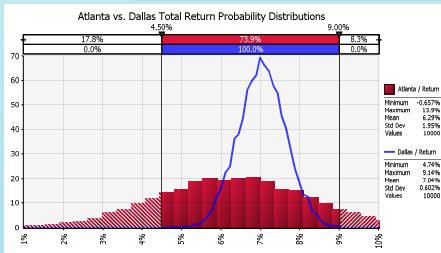
Property Name (Submarket)	Property Class/ Type (Constr.)	Approx. Date of Transaction	Total Price / (in millions)	Price / per unit	Estimated Cap Rate
Brookleigh Flats (North DeKalb Co.)	A / WF MR (2013)	16-May-2015	\$85.0	\$253,582	5.0%
Steelworks (Atlanta/Fulton Co.)	A+ / MR (2014)	16-Jun-2015	\$80.4	\$244,377	1.8% / 5.5% p.f.
Anderson at Clairmont (North DeKalb Co.)	B+ / GLR (2006)	21-Jun-2015	\$60.1	\$147,181	5.6%
Madison Vinings Ridge (Smyrna)	B / GLR (1977)	10-Aug-2015	\$75.7	\$153,239	6.0%
Preserve at Deerfield (Roswell/Alpharetta)	A- / GLR (1999)	19-Sept-2015	\$104.5	\$164,308	6.0%



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SUBMARKET TRENDS (REIS)

Submarket	Effective Rent			Physical Vacancy		
	2Q14	2Q15	Change	2Q14	2Q15	Change
Buckhead	\$1,154	\$1,266	9.8%	3.3%	8.9%	560 bps
Central Interstate-75 West	\$892	\$944	5.9%	8.0%	7.7%	-30 bps
Cherokee County	\$845	\$867	2.7%	4.6%	3.4%	-120 bps
Clarkston / Stone Mountain	\$654	\$665	1.7%	8.6%	7.7%	-90 bps
Clayton Co. / Henry Co.	\$723	\$746	3.2%	6.5%	6.1%	-40 bps
Decatur / Avondale	\$791	\$796	0.7%	9.8%	7.2%	-260 bps
Interstate-20 East	\$748	\$774	3.5%	5.0%	3.2%	-180 bps
Interstate-20 West	\$723	\$731	1.1%	5.7%	4.3%	-140 bps
Marietta	\$808	\$834	3.3%	4.4%	3.4%	-100 bps
Midtown	\$1,135	\$1,205	6.1%	4.3%	9.1%	480 bps
North DeKalb County	\$903	\$955	5.7%	4.7%	5.0%	30 bps
North Gwinnett County	\$807	\$834	3.3%	5.1%	4.1%	-100 bps
Roswell / Alpharetta	\$885	\$922	4.1%	2.9%	4.1%	120 bps
Sandy Spring / Dunwoody	\$910	\$945	3.9%	3.2%	4.0%	80 bps
Smyrna	\$797	\$822	3.1%	4.2%	4.4%	20 bps
South DeKalb County	\$608	\$625	2.9%	18.4%	16.3%	-210 bps
South Fulton County	\$738	\$749	1.5%	10.1%	9.9%	-20 bps
South Gwinnett County	\$750	\$768	2.4%	4.6%	3.7%	-90 bps
Metro	\$832	\$869	4.4%	5.7%	5.8%	10 bps



FOR MORE INFORMATION ABOUT RED'S RESEARCH CAPABILITIES CONTACT:



Daniel J. Hogan
 Director of Research
 djhogan@redcapitalgroup.com
 +1.614.857.1416 office
 +1.800.837.5100 toll free



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