

PAYROLL JOB SUMMARY

Total Payrolls	1,071.9m
Annual Change	15.2m (1.4%)
RCR 2016 Forecast	10.4m (1.0%)
RCR 2017 Forecast	4.7m (0.4%)
RCR 2018 Forecast	7.3m (0.7%)
RCR 2019 Forecast	11.1m (1.0%)
RCR 2020 Forecast	15.5m (1.4%)
Unemployment (NSA)	4.9% (Feb.)

4Q15 PAYROLL TRENDS AND FORECAST

Payroll job trends decelerated in the fourth quarter, slowing to a 15,200-job, 1.7% annual rate from 3Q15's 17-year record high 21,300-job, 2.0% advance. The fall quarter performance was the smallest year-on-year gain recorded in three years. A reversal of leisure service hiring, most prominently in the lodging and food service component, was largely responsible as sector headcounts declined from the year earlier period for the first time since 2010.

Hiring trends rebounded during the first quarter, however, as establishments expanded at a 17,200-job, 1.7% pace, in line with the 17,000-job trailing 48-month average. Equipment manufacturers and the finance sector were behind the surge, overbalancing disconcerting negative trends in

the critical business services industry.

While the U.S. economy continued to add jobs at a brisk clip in 1Q16, key economic variables that fuel future output growth – personal consumption expenditures, industrial production, and personal income growth – deteriorated. As a result, our unbiased GDP model now projects soft underlying growth in 2016 and 2017. Some of the same predictive variables (PCE, IP and GDP trend) are included in RCR's CINC payroll model, and the impact on the local economic forecast is comparable. The 96.5% adjusted R² (SE=0.3%) equation foresees metro employment growth rates falling to 1% or slower through 2018, before regaining strength in the forecast out-years.

OCCUPANCY RATE SUMMARY

Occupancy Rate (Reis)	96.8%
RED 50 Rank	8 th
Annual Chg. (Reis)	-0.1%
RCR YE16 Forecast	95.3%
RCR YE17 Forecast	94.6%
RCR YE18 Forecast	94.5%
RCR YE19 Forecast	94.5%
RCR YE20 Forecast	94.6%

4Q15 ABSORPTION AND OCCUPANCY RATE TRENDS

Apartment demand recovered from 3Q15's 5-year low net absorption total of 95 units as renters net leased 295 vacant units during the seasonally slower fourth quarter according to Reis. Moderate supply of 251 units was in line with demand, holding market occupancy unchanged at 96.8%, 8th highest among the RED 50 large market peer group. Preliminary 1Q16 data show a -30 basis point sequential quarter decline to 96.5%, however, reflecting the effects of growing supply pressures that will put downward pressure on metro occupancy in 2016 and 2017.

Axiometrics surveys of 143 larger, stabilized assets recorded looser conditions. Occupancy in 4Q15 and 1Q16 averaged

94.8% and 94.7%, respectively. Class-A properties maintained the highest rate (96.5%/95.0%) despite recent supply pressures, followed by classes-B (94.6%/94.2%) and -C (94.2%/94.3%). Competition intensified, causing new asset absorption to fall from 17 units/mo. in 4Q to 12 in 1Q

The RCR occupied stock growth model uses payroll (+), home price_(t-2) (-) and inventory (+) growth and occupancy_(t-4) (-) variables to achieve an 89.1% ARS (SE=0.3%). The model projects slower absorption even as supply surges through mid-2017. In the forecast, occupancy falls to the mid-94% area by YE17, subsequently stabilizing as supply pressures abate and annual space demand recovers.

EFFECTIVE RENT SUMMARY

Mean Rent (Reis)	\$776
Annual Change	3.2%
RED 50 Rent Change Rank	40 th
RCR YE16 Forecast	1.3%
RCR YE17 Forecast	1.4%
RCR YE18 Forecast	1.0%
RCR YE19 Forecast	1.2%
RCR YE20 Forecast	1.5%

4Q15 EFFECTIVE RENT TRENDS

Rent trends were steady during the fourth quarter, rising \$5 (0.7%) sequentially, down moderately from 3Q15's 1.0% advance. The year-on-year comparison improved, however, accelerating from 2.9% in 3Q to 3.2%. Based on preliminary Reis 1Q16 data, asking rent trends steadied at about 0.6% sequentially, matching reported 3Q and 4Q15 results. Year-on-year growth accelerated from 3.2% to 3.3%.

Axiometrics same-store comparisons of stabilized properties were materially stronger. All property rents increased 4.5% y-o-y in 1Q16, up from 3.0% in 4Q14, representing the fastest annual advance of the current rally. Classes-C (4.9%)

and -B (4.5%) led the charge while class-A generated a useful 3.2% increase. Both Butler and North submarket scored with 5%+ 1Q16 gains while Blue Ash, Downtown and Northern Kentucky struggled to exceed 2.5%.

Independent variables in our rent model include personal income (+), payroll_(t-2) (+) and home price_(t-2) (-) growth. None is expected to be constructive for rents. The forecast calls for a 2.9% y-o-y increase in 1Q16, followed by gains in the low- to-mid 1% area through 2019. Faster job and income growth and diminishing house appreciation rates in the forecast out-year fuel late forecast reacceleration.

TRADE & RETURN SUMMARY

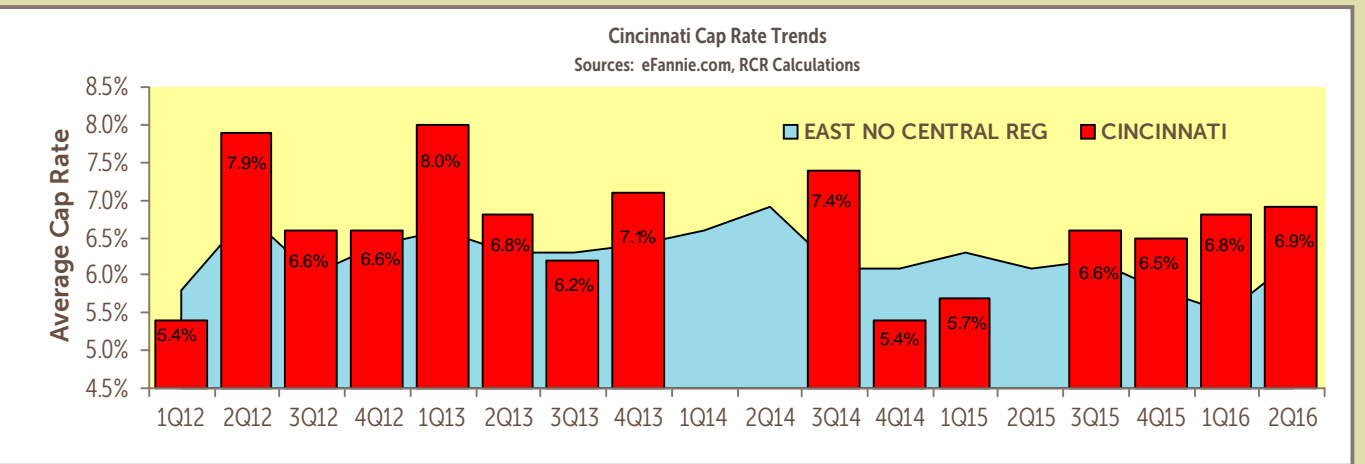
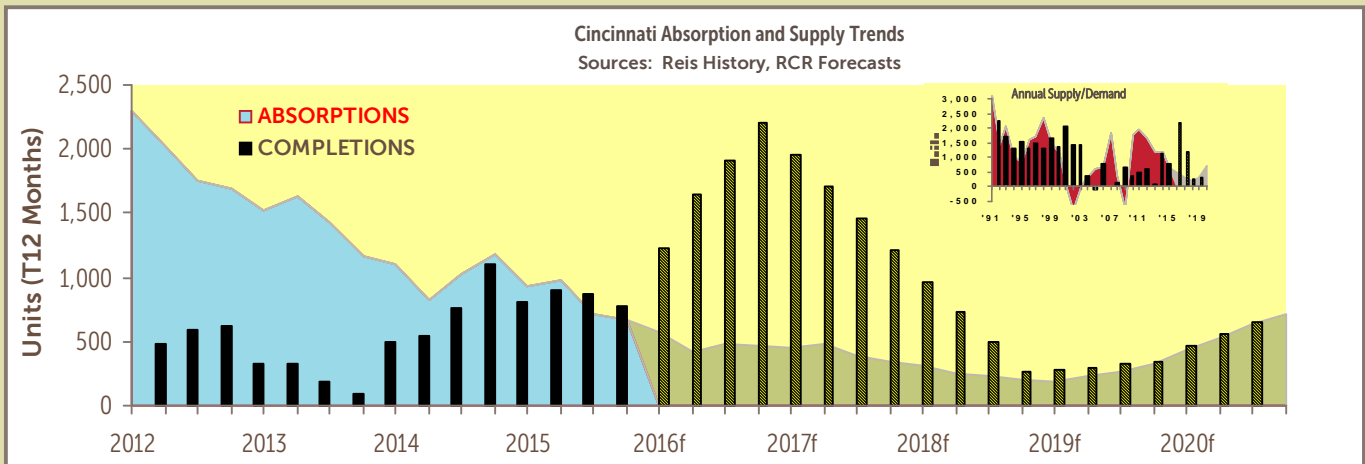
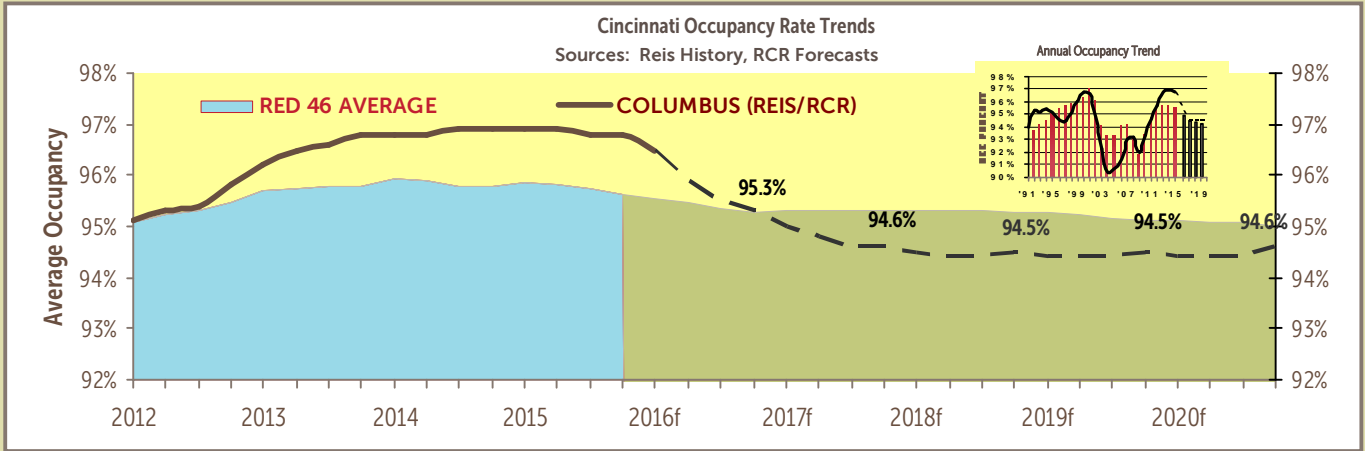
\$2mm+ / 80-unit+ Sales	16
Approximate Proceeds	\$134mm
Average Cap Rate (FNM)	6.5%
Average Price / Unit	\$39,042
Expected Total Return	5.4%
RED 46 ETR Rank	36 th
Risk-adjusted Index	4.76
RED 46 RAI Rank	16 th

4Q15 PROPERTY MARKETS AND TOTAL RETURNS

Individuals and owner/managers dominated the Cincinnati/Dayton multifamily property market during the fall and winter, concentrating on older class-C and -B- garden properties offering high yields and value-add opportunities. Institutional money entered the market largely through class-B+/A new construction. A total of 16 trades were closed for proceeds of about \$135 million during 4Q15, rapid velocity in this market. The per unit average price was \$39,042. Sales moderated over the winter as 9 properties exchanged hands in 1Q16 for about \$52mm and a per unit price of \$55,140. The average age of traded assets in both quarters was about 40 years.

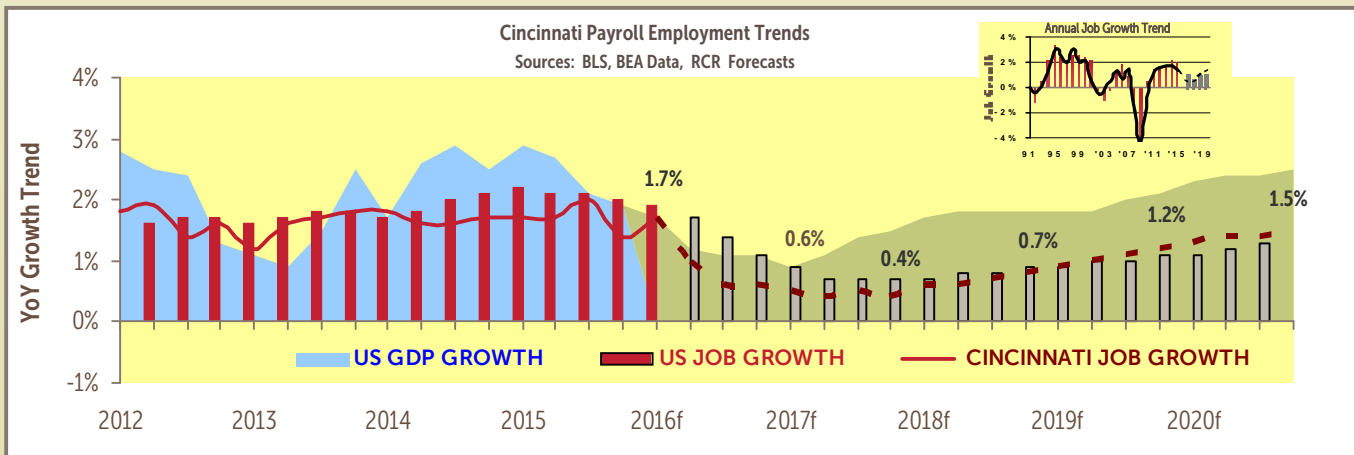
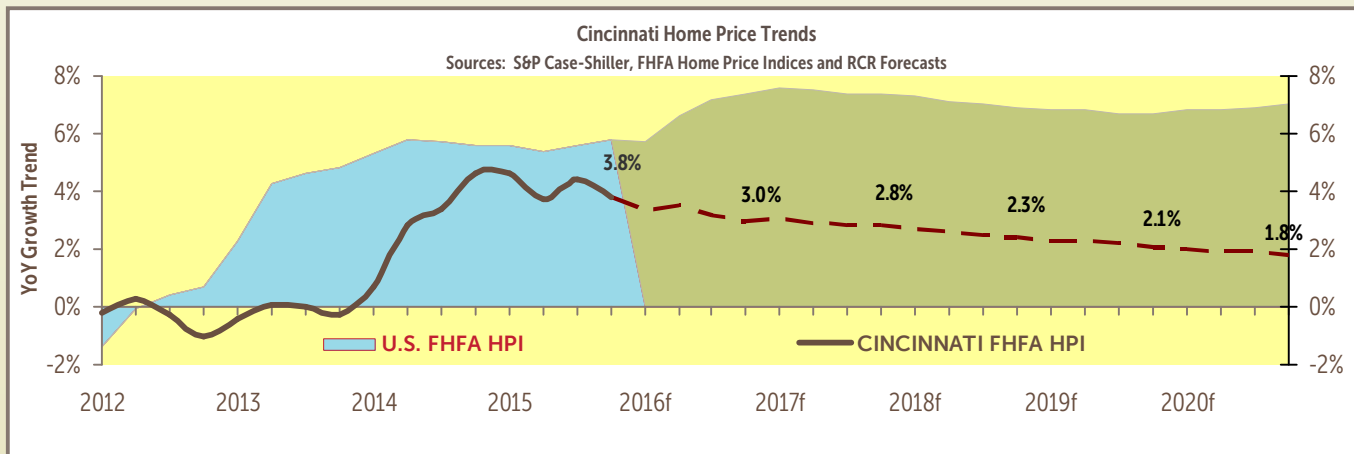
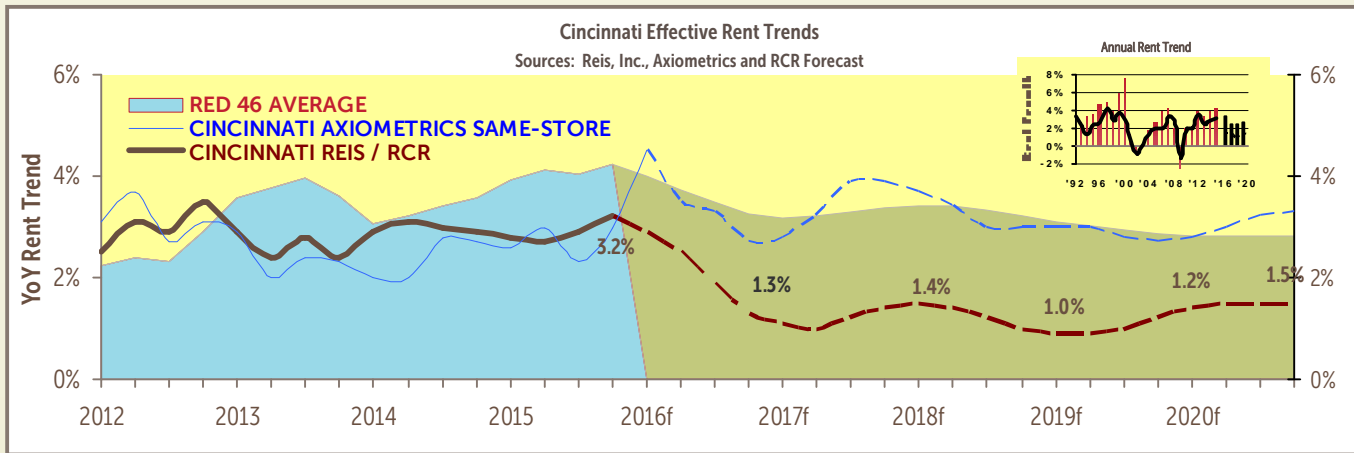
Cap rates applicable to class-B suburban Cincinnati product gravitated toward the mid-6% area. Older assets with value add potential yielded 6.5% to 7%. Class-C properties with limited upside traded to 7% and 8% cap rates.

Low rent growth expectations hampered Queen City expected total returns. Using a 6.75% purchase cap rate proxy and model derived occupancy and rent point estimates RCR calculate that investor would expect to earn a 5.4% 5-year, unlevered total return, ranking 36th among the R46 peer group. Low model standard error makes returns relatively easy to forecast, elevating the RAI to group #16.



NOTABLE TRANSACTIONS

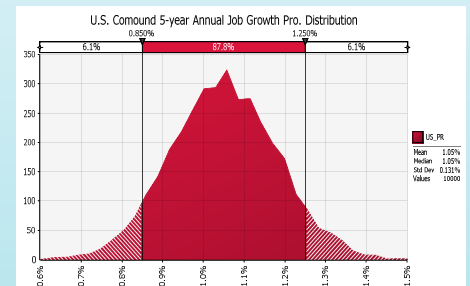
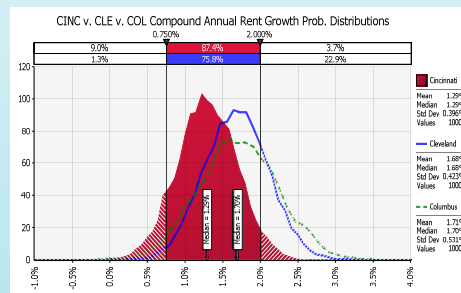
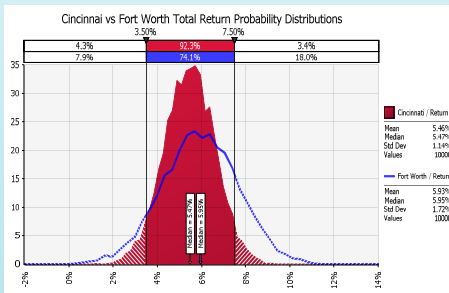
Property Name (Submarket)	Property Class/ Type (Constr.)	Approx. Date of Transaction	Total Price / (in millions)	Price / per unit	Estimated Cap Rate
Burgundy Hills (Northern Kentucky)	C / WF LR (2002)	22-Oct-2015	\$7.8	\$79,592	6.5%
Van Buren Village (Kettering / Oakville)	C / MB LR (1951)	30-Nov-2015	\$15.2	\$30,300	7.7%
Brookfield North (Dayton North / Vandalia)	C / MB LR (1969)	3-Dec-2015	\$6.0	\$55,046	6.5%
Villages at Symmes Crossing (Blue Ash)	B / GLR (1978)	16-Dec-2015	\$26.6	\$90,000	6.6%
Stoneridge (Dayton North)	C+ / GLR (88/05)	19-Jan-2016	\$7.9	\$52,470	7.5%



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SUBMARKET TRENDS (REIS)

Submarket	Inventory % Change	Effective Rent			Physical Vacancy		
		4Q14	4Q15	Change	4Q14	4Q15	Change
Blue Ash / Amberley	1.3%	\$774	\$773	0.0%	4.3%	4.4%	10 bps
Butler / Warren Counties	1.6%	\$827	\$857	3.6%	1.9%	2.6%	70 bps
Clermont County	0.0%	\$684	\$697	1.9%	3.5%	2.8%	-70 bps
Downtown	-3.7%	\$854	\$885	3.6%	6.1%	4.8%	-130 bps
Highways 27 / 127	0.0%	\$623	\$636	2.1%	3.7%	2.8%	-90 bps
North	0.0%	\$740	\$776	5.0%	2.4%	2.1%	-30 bps
Northeast	0.0%	\$1,023	\$1,086	6.1%	1.5%	1.1%	-40 bps
Northern Kentucky	2.0%	\$753	\$779	3.4%	2.0%	2.4%	40 bps
Southeast	1.4%	\$804	\$827	2.9%	2.1%	2.7%	60 bps
Southwest	0.0%	\$570	\$573	0.4%	4.9%	5.7%	80 bps
Metro	0.7%	\$752	\$776	3.2%	3.1%	3.2%	10 bps



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