

PAYROLL JOB SUMMARY

Average Payrolls (IQ17)	2,713.6m
Annual Change IQ17	100.1m (3.8%)
RCR 2017 Forecast	109.5m (4.1%)
RCR 2018 Forecast	100.5m (3.6%)
RCR 2019 Forecast	61.8m (2.1%)
RCR 2020 Forecast	42.0m (1.4%)
RCR 2021 Forecast	36.7m (1.2%)
Unemployment (NSA)	4.9% (2/17)

4Q16 PAYROLL TRENDS AND FORECAST

Atlanta establishments created an average of nearly 85,000 payroll jobs per year over the last three years, a record that would seem difficult to eclipse in the current slow-growth macroeconomic environment. But the metro's performance during the first quarter 2017 suggests that it likely will. Atlanta headcounts increased at a 100,100-job, 3.8% year-on-year rate during the quarter, a pace surpassed only twice (3Q96, 2Q99) in the past 27 years. Skilled services made the largest contribution as financial, business and healthcare concerns expanded at a brisk 40,530-job, 4.4% annual rate, up from the 37,300 level in 4Q16 and the largest gain in nearly three years. Strong growth also was recorded in the construction, wholesale and information services sectors, with the latter making one of its largest ever advances. Only the air transportation industry exhibited any degree of weakness as payrolls fell -6.5% y-o-y.

Seasonally-adjusted data were largely consistent. This series recorded a 28,800-job net add in IQ17, representing the third largest one-quarter payroll job add in the Atlanta series since 1990.

RED Research specified a robust 97.9% adjusted-R² (S.E.=0.4%) ATL payroll forecasting equation using the rate of change of U.S. payroll growth, S&P500 returns and industrial production index growth_(t-2) as independent variables. Against a baseline macro forecast calling for faster GDP growth in 2017 (2.3%), followed by a slide back into sluggish "new normal" conditions afterward, the model projects annual metro job creation topping 100,000 positions in 2017 and 2018. Progress is expected to decelerate significantly beginning in 2019, after the Atlanta economy is impeded by slack national conditions, weakening equity returns and soft IP growth.

OCCUPANCY RATE SUMMARY

Occupancy Rate (Reis)	96.2%
RED 51 Rank	18 th
Annual Chg. (Reis)	+0.4%
RCR YE17 Forecast	95.5%
RCR YE18 Forecast	96.6%
RCR YE19 Forecast	96.8%
RCR YE20 Forecast	94.6%
RCR YE21 Forecast	93.8%

4Q16 ABSORPTION AND OCCUPANCY RATE TRENDS

Atlanta renters continued to express vigorous demand for apartment space in 4Q16: tenants leased a net of 1,689 units, topping the 1,227 17-year fourth quarter average for the sixth consecutive year. But some degree of deceleration was evident as 4Q16 absorption was down -14% sequentially and -188% year-on-year. Developers completed 2,302 units net of conversions, according to Reis, producing a -10 basis point decline in occupancy to 96.2%. Preliminary IQ17 data suggest that supply pressures intensified, sending occupancy down -60bps to 95.6%, the lowest rate since 3Q15.

properties reported highest occupancy, followed by classes-B (93.5%) and -C (91.0%). Mid- and high-rise buildings averaged 94.0%. Absorption of new units continued to decelerate. Properties in lease-up tenanted an average of about 9 units per month, down from nearly 14 during the third quarter 2016.

Analysis of 1,114 stabilized, same-store properties surveyed by Axiometrics recorded materially lower 93.5% and 93.2% average occupancy in 4Q16 and IQ17, respectively. Class-A (93.9%)

RCR's Atlanta occupied stock growth model achieves a 93.6% ARS (SE=0.3%) using supply, job and home price growth, occupancy change and Treasury and Baa ten-year rates as variables. The model projects demand for 7,783 units in 2017, about 3,100 fewer than Reis expect developers to deliver. Occupancy is likely to fall to 95.5% by year-end. But supply is expected to moderate in 2018 and 2019, allowing metro occupancy to rebound above 96% in 2019.

EFFECTIVE RENT SUMMARY

Mean Rent (Reis)	\$984
Annual Change	7.0%
RED 51 Rent Change Rank	6 th
RCR YE17 Forecast	4.5%
RCR YE18 Forecast	5.2%
RCR YE19 Forecast	5.3%
RCR YE20 Forecast	2.1%
RCR YE21 Forecast	-0.1%

4Q16 EFFECTIVE RENT TRENDS

Atlanta rents trends persisted at rates not experienced since the mid-1990s. Reis report that rents advanced at a 7.0% year-on-year rate during 4Q16, representing the seventh consecutive quarter of 6% or faster gains. Sequential growth was moderately slower: rents increased 1.1% from 3Q16, the smallest quarterly advance since 3Q14. Preliminary IQ17 data suggest more of the same as asking rents increased only 0.8%, slowest in three years.

Among submarkets, Clarkston, Clayton and South DeKalb sustained 8%+ IQ17 gains, followed by I-20 West (7.5%) and South Gwinnett and Buckhead (7.9%). Some infill areas, including Atlanta/Fulton Co. (2.8%) and Sandy Springs (3.9%), struggled by comparison.

Axiometrics same-store data also exhibited moderate deceleration. Unit weighted average y-o-y gains declined from 7.1% in 3Q16 to 6.5% and 5.7% in 4Q16 and IQ17, respectively. "B" segment rents were strongest in IQ17, rising 6.4%. Classes-C (5.9%) and -A (2.7%) trailed. Mid- and high-rise building inched ahead by 1.6%.

RCR's ATL rent model reaches a 97.3% ARS (SE=0.6%) employing inventory and occupied stock growth, the GDP deflator and the output gap as independent variables. The model projects continued above average rent growth through 2019, ranging from 4.5% to 5.7%, propelled by strong absorption and moderating stock growth rates. But our supply model projects a sharp uptick in deliveries in the out-years, met by soft, near recessionary demand conditions. Rent trends slow to near zero in 2021 as a result.

TRADE & RETURN SUMMARY

\$5mm+ / 80-unit+ Sales	73
Approximate Proceeds	\$2,109.1mm
Average Cap Rate (FNM)	5.6%
Average Price / Unit	\$106,484
Expected Total Return	7.1%
RED 48 ETR Rank	33 rd
Risk-adjusted Index	4.23
RED 48 RAI Rank	22 nd

4Q16 PROPERTY MARKETS AND TOTAL RETURNS

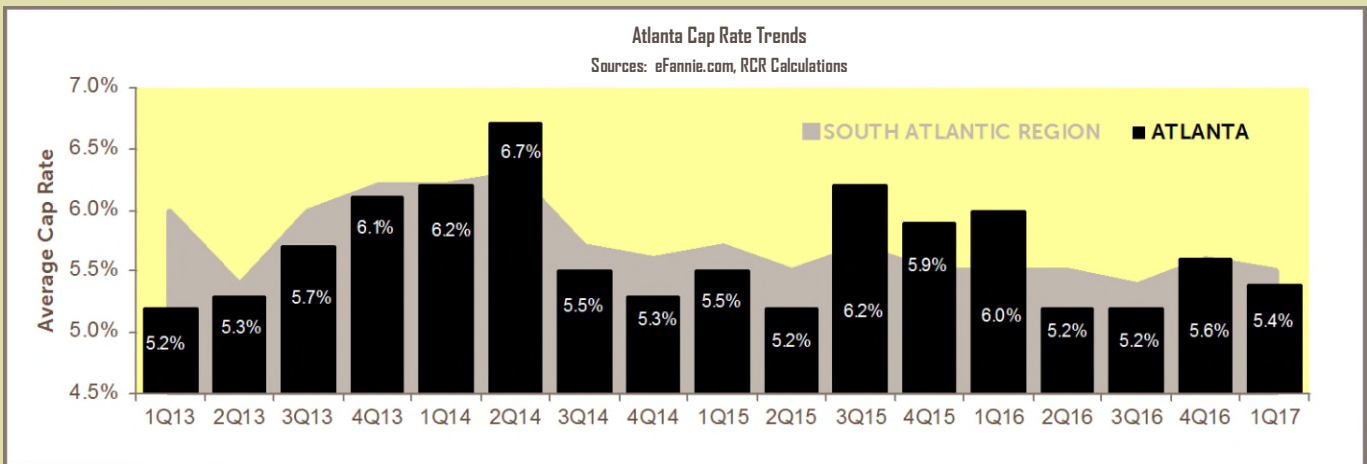
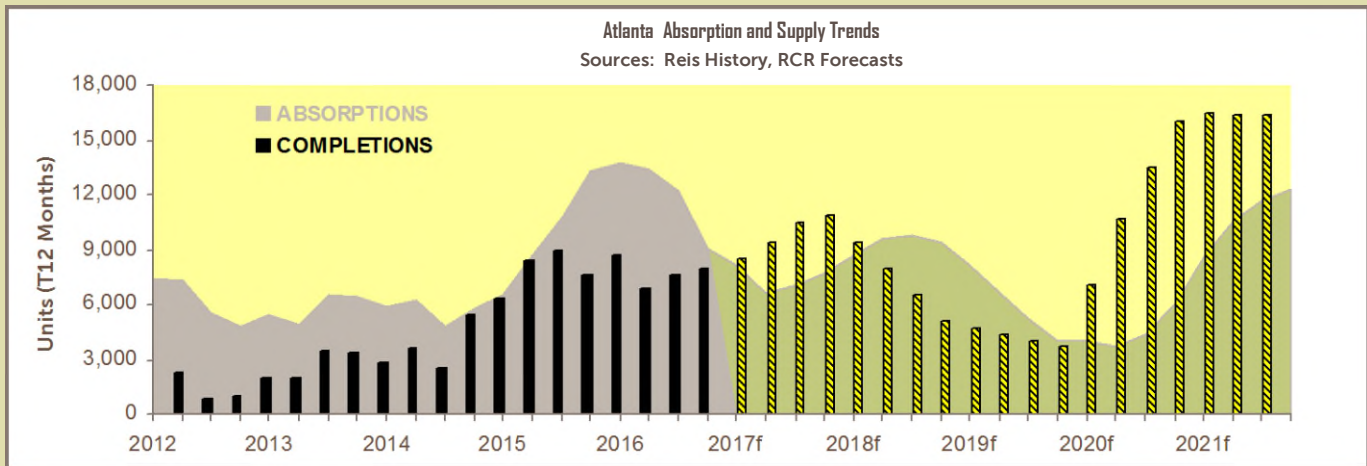
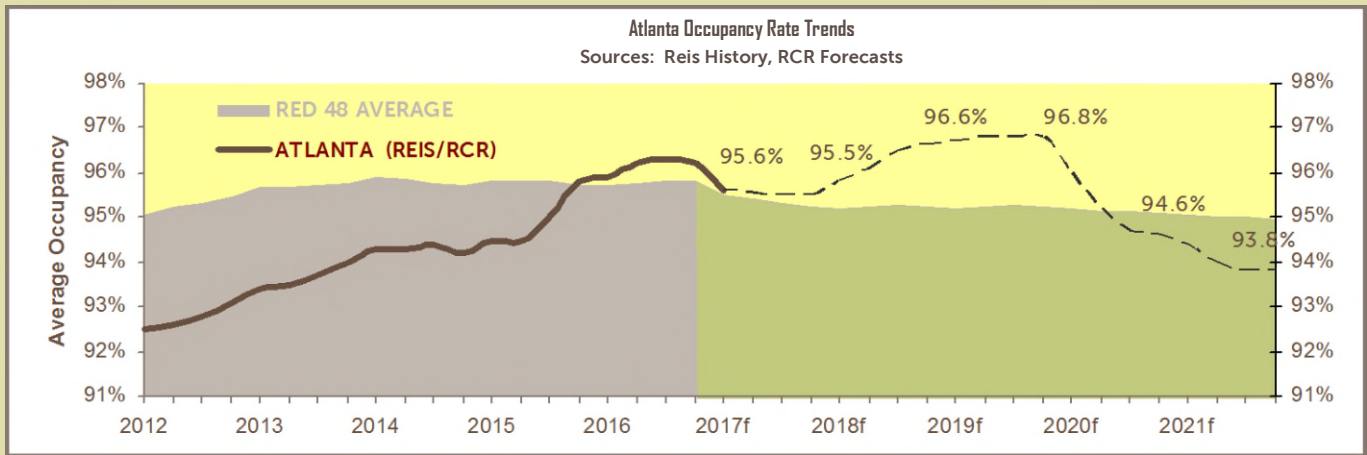
Atlanta remained an investor favorite as 73 \$5 million or larger multifamily property sales were closed in 4Q16, for sales volume of \$2.1 billion. Proceeds were marginally lower than 3Q16's near series record \$2.5 billion (in a record 89 exchanges), but compared favorably to 4Q15's \$1.7bn total proceeds in 74 transactions. The average price per unit metric was \$106,484, on par with the prior quarter and up 16% year-on-year.

rates in the 5% to 5.5% range. Suburban GLRs were priced to mid-to high-5% yields. Class-B valued adds were in the high-5% to mid-6% region. Class-B/-C product fell into the 6% to 7% area.

Activity moderated in the first quarter as buyers closed on 43 properties for total proceeds of \$1.0bn, down from 62 transactions valued at \$1.3bn in the comparable period of 2016. In addition, the average price per unit declined -11% sequentially to \$94,810.

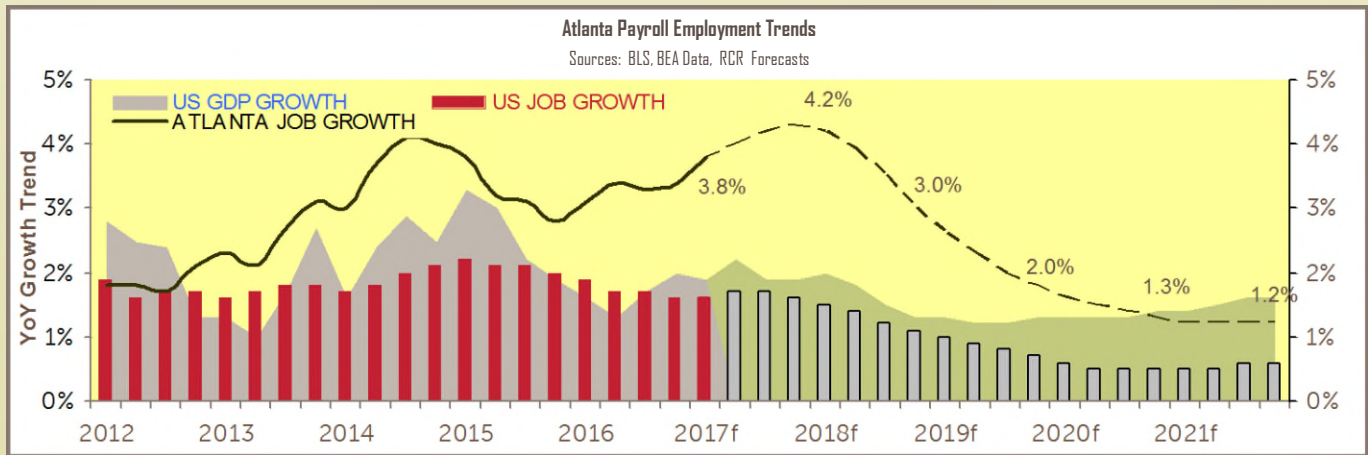
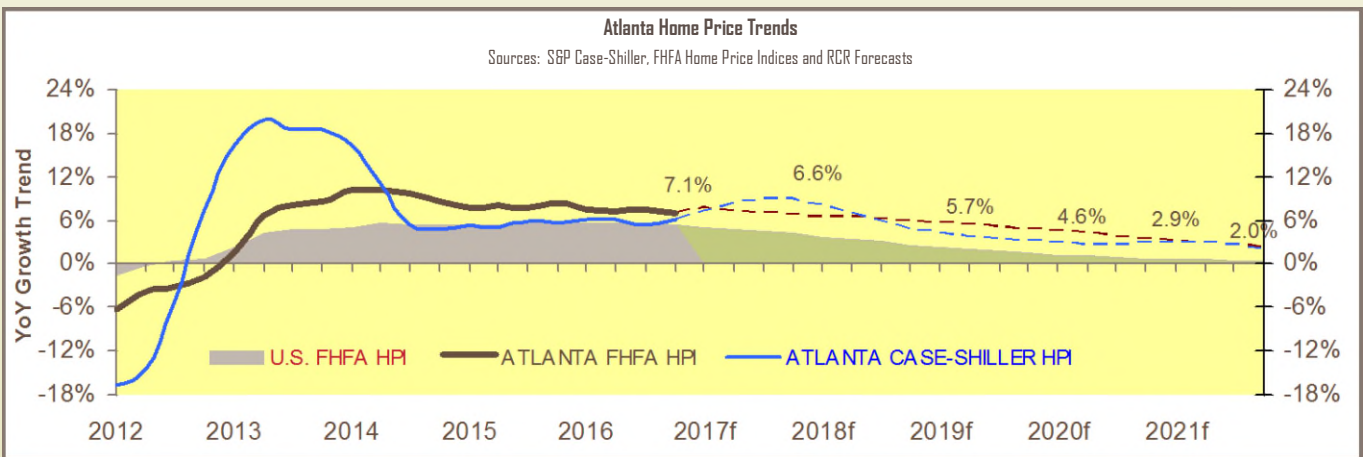
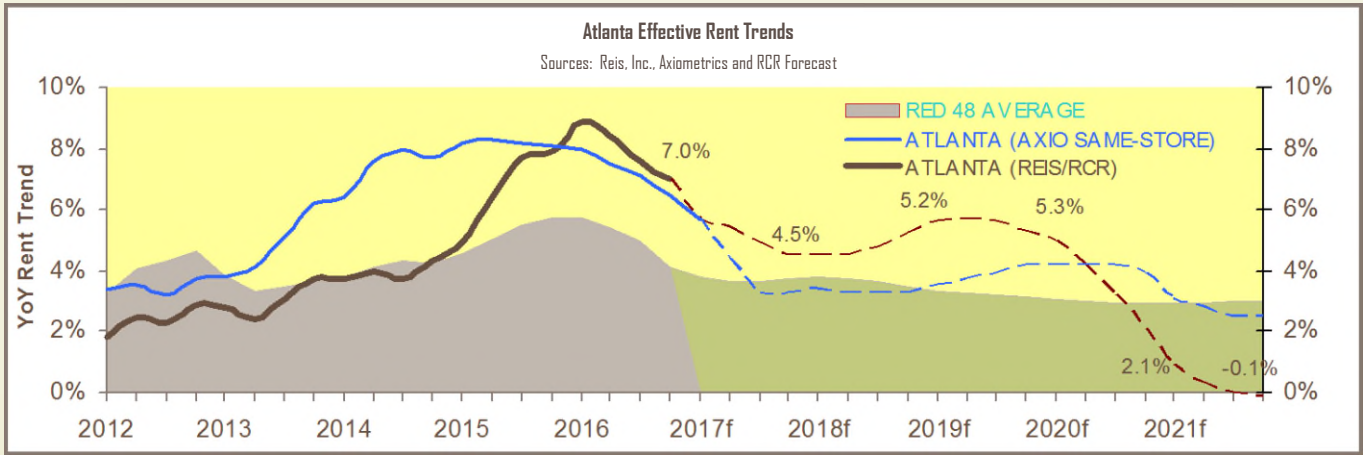
In view of the fact that NOI growth has outpaced asset prices over the past six months, **RCR** elected to raise the ATL B+/-B cap rate proxy 25 basis points to 5.5%. With a 6.1% terminal cap rate and model derived rent and occupancy point estimates we calculate that an investor would expect to earn a 7.1% unlevered total return on a 5-year hold. This ranks 33rd among the 49 U.S. markets we model and forecast (**RED 49**). Low economic and demand model standard errors boost risk-adjusted returns. Atlanta's 4.23 Risk-adjusted Index (ETR/6² ETR) ranks 22nd among the **R49** peer group.

Class-A/A- mid-rise buildings in closer-in locations trade to cap



NOTABLE TRANSACTIONS

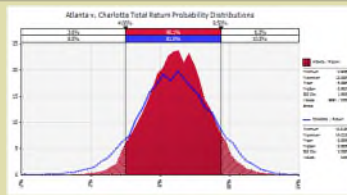
Property Name (Submarket)	Property Class/Type (Constr.)	Approx. Date of Transaction	Total Price (in millions)	Price / Per Unit	Estimated Cap Rate
Amaran Sweetwater (South Gwinnett / Lawrenceville)	B / GLR (1999)	8-Nov-2016	\$37.3	\$120,942	5.64%
Venue at Big Creek (Roswell / Alpharetta / Bethany Xing)	A / GLR (2015)	18-Nov-2016	\$76.6	\$205,914	5.02%/6.5% p.f.
Station on Peachtree (North DeKalb / Chamblee)	A- / GLR (2007)	1-Dec-2016	\$33.5	\$174,479	5.39%
Row at Twenty-Sixth (Atlanta/Fulton Co. / Channing Valley)	A- / MB MR (2005)	6-Dec-2016	\$85.5	\$188,742	4.93%
Dakwood Vista (South Gwinnett / Norcross / Tucker)	B / GLR (2002)	12-Jan-2016	\$39.0	\$125,000	5.75%
10 Perimeter Park (North DeKalb / Chamblee-Dunwoody)	A- / MB MR (2008)	19-Mar-2017	\$36.0	\$156,522	5.8%



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SUBMARKET TRENDS (REIS)

Submarket	Inventory Percent Change	Effective Rent			Physical Vacancy		Basis Point Change
		4Q15	4Q16	Change	4Q15	4Q16	
Buckhead	11.6%	\$1,289	\$1,342	4.1%	9.0%	5.3%	-370 bps
Central I-75 West	0.8%	\$963	\$1,078	11.9%	3.9%	4.3%	40 bps
Cherokee County	11.6%	\$886	\$978	10.5%	2.4%	2.2%	-20 bps
Clarkston/Stone Mtn	0.0%	\$674	\$794	17.8%	6.1%	2.2%	-390 bps
Clayton / Henry Co.	0.8%	\$767	\$800	4.3%	4.5%	3.7%	-80 bps
Decatur / Avondale	4.5%	\$835	\$979	17.3%	7.0%	4.8%	-220 bps
I-20 East	2.7%	\$798	\$811	1.6%	1.6%	2.8%	120 bps
I-20 West	0.0%	\$747	\$823	10.1%	3.1%	2.4%	-70 bps
Marietta	2.1%	\$857	\$920	7.4%	2.7%	3.2%	50 bps
Midtown	14.9%	\$1,232	\$1,322	7.3%	8.4%	10.2%	180 bps
North DeKalb	0.2%	\$983	\$1,100	11.9%	5.0%	4.5%	-50 bps
North Gwinnett	6.5%	\$870	\$983	12.9%	3.4%	3.4%	0 bps
Roswell / Alpharetta	5.2%	\$974	\$1,070	9.9%	4.8%	3.1%	-170 bps
Sandy Spring/Dunwoody	-1.6%	\$978	\$1,112	13.7%	3.0%	2.2%	-80 bps
Smyrna	1.3%	\$854	\$962	12.6%	3.7%	3.1%	-60 bps
South DeKalb	2.5%	\$637	\$680	6.8%	10.1%	5.5%	-460 bps
South Fulton	0.9%	\$766	\$795	3.9%	8.8%	3.2%	-560 bps
South Gwinnett	-0.6%	\$825	\$858	3.9%	2.9%	2.4%	-50 bps
Metro	2.1%	\$920	\$984	7.0%	4.2%	3.8%	-40 bps



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