CHARLESTON, SOUTH CAROLINA

MULTI-FAMILY MARKET REPORT

Job Growth, Rising Rents, Low Interest Rates: The Trifecta

KEY TAKEAWAYS

- Vacancy increased slightly from year-end 2011 to year-end 2012; still healthy at 7.1%.
- A and B product maintains high occupancy; higher vacancies in C product.
- Rents at historic highs.
- More Class "A" product is needed, especially in infill locations.
- Unabated demand and developers are... developing.
- Four projects delivered in 2012 and seven projects commenced construction.
- Charleston's population and employment will continue to outpace the state and nation.

MARKET INDICATORS

	2012	2013 Forecast
VACANCY	↑	↓
RENTAL RATES	↑	↑
GENERAL CAP RATES	↓	↓
CLASS A PROPERTY CAP RATES	↓	↓
ACCESS TO DEBT	↑	↑
ACCESS TO EQUITY	↑	↑

SOUTHEAST APARTMENT VACANCIES

	Vacancy Rate (2012)
Atlanta	7.2%
Charlotte	5.8%
Raleigh-Durham	5.5%
Greenville	6.8%
Columbia	7.8%
Charleston	**7.1%**

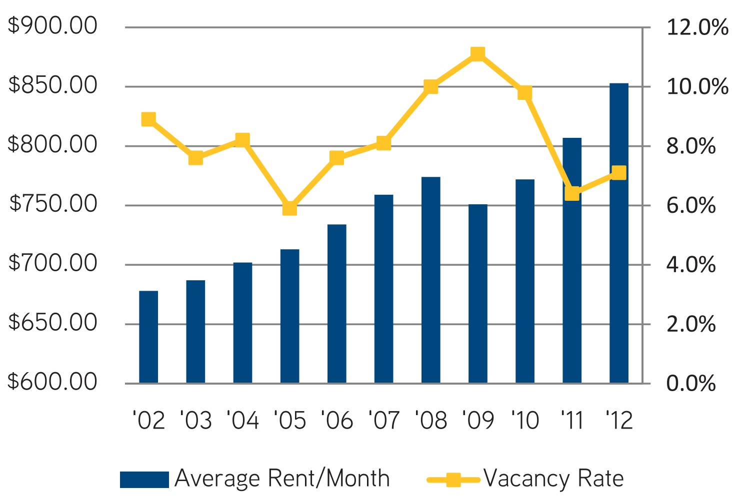
CHARLESTON MARKET DRIVERS

PORT
BOEING
MILITARY
TOURISM
MEDICAL

2012 MARKET RECAP

The Charleston multifamily market accelerated in 2012 with seven new projects breaking ground, which represented half of the 4,145 units that were proposed in 2011. The market's increased pace builds on the momentum that was generated over the previous two years. In contrast, in 2011, fewer than 100 units were added to the total inventory. The lull in development met steady absorption resulting in a stable market that has since continued to improve, driven by the area's increased population and employment growth.

AVERAGE RENT & VACANCY (2002 - 2012)



Source: Apt Index

- Steady increases in rent over the past three years as demand drives rents to record highs.
- Vacancy levels show signs of a healthy market.
- High occupany and rents spur new development.

CHARLESTON SUBMARKET COMPARISON

Submarket	Total Units	Vacancy Rate	Avg. SF	Avg. Rent	Avg. Rent/SF	New Product Est. Avg. Rent	New Product Est. Avg. Rent/SF	Units U/C	Units Proposed
Peninsula	968	10.7%	723	$839	$1.16	$1,845	$1.85	333	152
Mt. Pleasant	3,589	8.6%	984	$1,134	$1.14	$1,488	$1.55	1,343	1,508
West Ashley	7,720	5.8%	961	$831	$0.86	$1,152	$1.20	0	880
James Island	1,022	5.9%	1,072	$1,073	$1.00	$1,235	$1.30	0	574
North Charleston	5,321	7.9%	962	$711	$0.74	$956	$0.95	0	271
Summerville	6,851	7.3%	990	$827	$0.83	$1,188	$1.20	312	912
Goose Creek	3,592	6.2%	1,046	$822	$0.78	$1,163	$1.15	104	180
Totals/Averages:	29,063	7.1%	977	$853	$0.87	$1,290	$1.31	2,092	4,477

Source: Apt Index

Occupancy

The market remains healthy with overall vacancy rates at 7.1%, compared to 6.4% at year-end 2011, despite 943 new units added to inventory. New projects to the market in 2012 include: Woodfield Long Point, Gregorie Ferry Landing, Kilnsea Village, and Channel at Bowen. Of these 943 units delivered, they are 64% occupied, or over 600 units absorbed.

The added supply affected Mount Pleasant's vacancy the most of all the submarkets. Vacancy climbed to 8.6% in 2012, a significant increase compared to the record low of 3.6% in 2011. This increase in vacancy is only by way of two projects being delivered, the 240-unit Gregorie Ferry Landing and the 258-unit Woodfield Long Point with rents averaging $1.27/SF and $1.33/SF, respectively. North Charleston saw the biggest improvement in vacancy during 2012 as a result of job creation in the manufacturing sector. West Ashley and James Island continue to perform well with the lowest vacancy in the market at 5.8% and 5.9%. Despite the uptick in overall vacancy, demand for apartment units remains high and the overall trend is decreasing vacancy.

Rental Rates

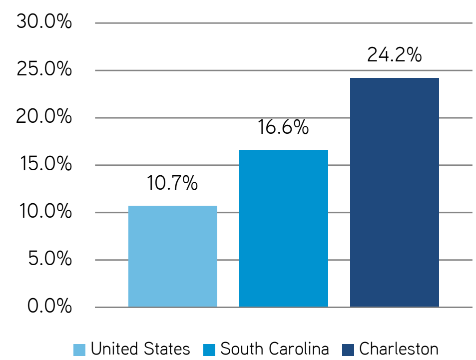
All submarkets experienced rent growth with an average increase of 4.8% for the entire Charleston market; units averaged about $853 per month or $0.87/SF. Downtown saw the largest gains with a 19.6% increase in average rents. Monthly rental rates jumped nearly $50/month on average compared to last year, a trend seen with some consistency over the past three years.

Key drivers that will fuel growth in Suburban markets include Boeing and its continued expansions, the rise in manufacturing jobs in Palmetto Commerce Park and the general population shifting to more affordable residential areas. Submarkets like Summerville and Goose Creek are expected to gain both in population and unit growth substantially because of this phenomena.

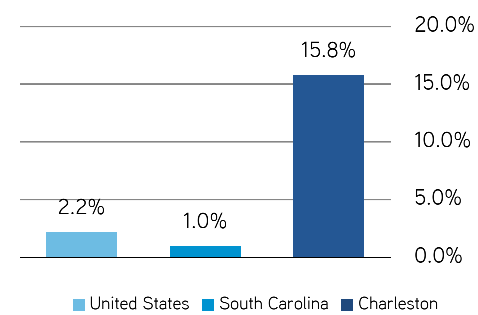
CLASS A PRODUCT IS NEEDED

Demand for high-end product is evidenced by the steady climb of rental rates and rising occupancies in Class A product. Great location and new product features continue to bring with it a premium. For example, Class A complexes in Mount Pleasant like Central Square at Watermark (which sold in 2010 for $159,000/unit) is getting $1.60/SF on average. Greystar's Daniel Island Village gets $1.42/SF while the much older Sergeant Jasper midrise in the downtown averages $2.31/SF. All are examples of new infill product or 1970's product in an irresistible location, with views.

POPULATION GROWTH (% CHANGE 2000 - 2011)



EMPLOYMENT GROWTH (% CHANGE 2000 - 2011)



New Multifamily Construction

THE BOULEVARD - Located in Mt. Pleasant off of Coleman, The Boulevard is a mixed-use apartment and retail community currently under construction and expected to deliver in early 2013.

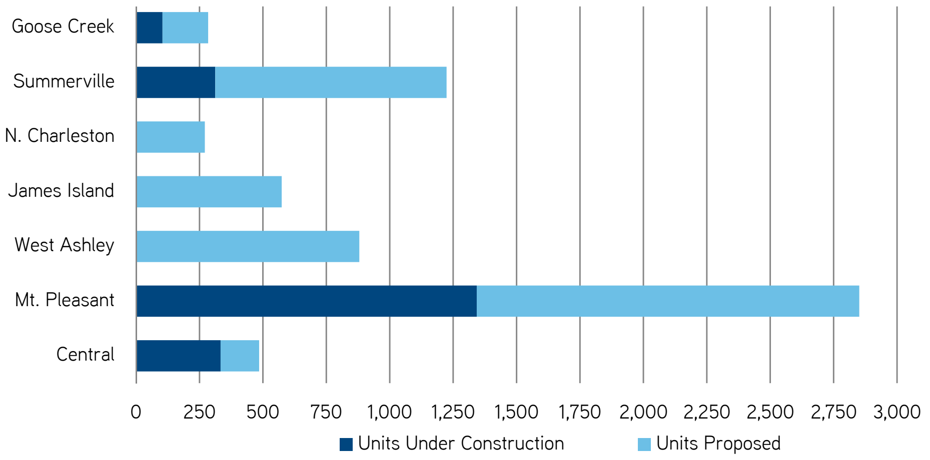
ELAN MIDTOWN - Downtown development re-emerged with construction commencing on Elan Midtown, a 200-unit development by Greystar and Prudential. The project is expected to deliver in summer 2013.

NEW CONSTRUCTION & DEVELOPMENT WILL CONTINUE IN 2013

Improved fundamentals, low interest rates, and a strong economic outlook for Charleston resulted in favorable conditions for new construction. Charleston is a stable, healthy market in need of quality new product for it's expanding population, which has grown over 24% over the last 10 years; 50% to 100% faster than national and state averages. Developers have responded by proposing new complexes throughout the market. Today the total number of proposed units stands at 4,477, with approximately 1,300 entitled and ready to go, with additions expected across every submarket.

The Mount Pleasant submarket has the highest number units under construction and proposed. The demand for product here is driven by proximity to good public schools, lots of shopping/dining options, access to the outdoors and easy access to downtown. The Boulevard, a Beach Company development, is mixed-use apartment and retail community with a higher-density, more urban design than previously available in the market. Located in Mount Pleasant off of Coleman Boulevard, the project is expected to deliver early 2013. Pre-leasing rates are projected at $1.50/SF, almost double the metro average.

2012 UNITS UNDER CONTRUCTION & PROPOSED BY SUBMARKET



A re-emergence in apartment development downtown was ignited by Elan Midtown, a 200-unit development by Greystar expected to deliver in Summer 2013. The development represents the first market rate development of its kind to hit the streets in over twenty-five years. Demand for this development was driven by the increased need for housing for young professionals and graduate and undergraduate college students downtown. In addition, Elan Midtown builds on the unique urban vibe of Charleston's Upper King Street area and will have pre-leasing rates of $1.75/SF; 50% higher than the market's historic average. Other downtown projects under way in the notoriously high barrier-to-entry district include the 41-unit 400 Meeting with average asking rents at $2.20/SF, the 72-unit East Central Lofts, and a 400-bed student housing facility near the College of Charleston campus.

Opportunities exist for developers in key infill locations such as Downtown and Mt. Pleasant. These submarkets provide the right mix of demographics, amenities and that extra something – a short walk to one of the best shopping streets in the nation, near a variety of excellent dining options, or within minutes of the beaches; all which appeal to these project's target audiences. Further opportunities exist near the hubs where thousands of new jobs are being created. The positive affects from Boeing are already being felt, but the colossal impact will be doled out in measures for years and even decades to come.

TRANSACTIONS

Transaction velocity during 2012 gained momentum, with the total number of sales nearly doubling from 2011. Nine transactions closed and another three are pending with most of the activity centered in the North Charleston and Summerville submarkets.

One of the more notable transactions of the year

2012 TRANSACTIONS

DATE	PROPERTY NAME	SUBMARKET	UNITS	$ / UNIT
Pending	Paces Watch	Mount Pleasant	232	TBD
Pending	Waverly Place	North Charleston	240	TBD
Pending	Ashley Shores	North Charleston	140	TBD
12-12	Avana at Westcott Plantation	Summerville	290	$99,695
11-12	Vista Sands	Summerville	280	$103,929
11-12	Charleston Palms	West Ashley	408	$42,892
10-12	Silvana Oaks	North Charleston	208	$103,365
8-12	Pepperhill Townhomes	North Charleston	214	$25,651
8-12	Palmetto Townhomes	North Charleston	52	$29,050
7-12	Edgewater Plantation	Mt. Pleasant	360	$118,556
4-12	Hampton Oaks	North Charleston	160	$27,500
3-12	Tradition at Summerville	Summerville	232	$79,741

Source: Real Capital Analytics

Transactions continued

was the purchase of Edgewater Plantation, bought by Nashville-based Carter Haston for $42 million or $118,556 per unit. It was the largest transaction of 2012, and the only community to sell in Mount Pleasant, but it still sold at 11% less than it did in 2008.

Silvana Oaks, a 209-unit community in North Charleston, was purchased for $21.5 million. The property traded at a 6.3% cap or $103,356 per unit with 86% occupancy.

In Summerville, Avana at Westscott Plantation, built in 2009, sold to Greystar for $26.3 million or $90,941 per unit with a reported occupancy of 97%.

Also in the Summerville submarket, Vista Sands traded for $29 million or $103,929 per unit. It was built in 2005 and consists of 280 units.

Notable bulk condos included The Tides built in 2008, a 120-unit luxury product in the Mount Pleasant submarket that went into default in 2010 with 50 unsold units. The note was purchased for approximately $22 million, or about $400,000 per unit late in the year. The Arboretum in West Ashley, another broken condo deal with 36 units traded for $2.7 million, or about $75,000 per unit after having been foreclosed on by USBank.


Edgewater Plantation


Vista Sands


The Tides

522 offices in 62 countries on 6 continents

- $1.8 billion in annual revenue
- 1.25 billion square feet under management
- Over 12,300 professionals

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