



CULVERHOUSE

COLLEGE OF COMMERCE



TUSCALOOSA
MULTI-FAMILY SURVEY
STUDENT RENTAL HOUSING TASK FORCE
FALL 2013

ACRE
ALABAMA CENTER for REAL ESTATE
UNIVERSITY OF ALABAMA

ROCK
APARTMENT ADVISORS



ACRE's core purpose is to advance the real estate industry in Alabama by providing relevant resources in the areas of research, education and outreach. The Center, founded in 1996 by the Alabama Association of REALTORS, the Alabama Real Estate Commission and the University of Alabama's Culverhouse College of Commerce, also acts as an industry liaison for the benefit of business school students pursuing a career in real estate. The relationship between the Center and our industry stakeholders is one of the Center's greatest strengths. Alabama companies and individuals partner with the Center bringing a wealth of knowledge and real world experiences, becoming an extension of the Center, a network through which our resources to the statewide real estate community are enhanced and enriched. For more information, visit www.ACRE.cba.ua.edu

Rock Apartment Advisors is a Birmingham-based commercial real estate firm with an exclusive focus on apartment brokerage services throughout the southeast. Our talented team has extensive real estate experience in the apartment sector, including appraisal and consulting, brokerage, property marketing, transaction management and ownership. Rock has developed a reputation for providing quality service to both institutional and private investors. Since it's start in 2003, Rock has brokered over \$1.6 billion in apartment transactions. For more information on our current multi-family opportunities or to see a list of our recent sales, visit our website at www.rockadvisors.com or contact us at 205.397.2200.

Publisher Note:

This report is the first of two associated with the Tuscaloosa multifamily housing market. The second report entitled Tuscaloosa Multifamily Needs Focus Report will include expanded methodology, research, and analysis specifically for the creation of a Tuscaloosa multifamily housing guide and forecast for 2013 through 2019 and is due to be released at the end of October 2013.

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OVERVIEW

INTRODUCTION

The Alabama Center of Real Estate (ACRE) and ROCK Apartment Advisors are proud to present this Fall 2013 Multi-family Survey for the Tuscaloosa Area. This survey represents the fourth survey of this market by the ACRE-ROCK partnership, although this survey represents an expansion of ROCK's typical apartment survey in that its data and results were intended for use by the Student Rental Housing Task Force (SRHTF), a task force established by an Executive Order of the Mayor of Tuscaloosa on June 26, 2013. The data for this survey is intended to represent market conditions as of August 21, 2013, coinciding with the first day of class for students at the University of Alabama. This survey differs from ROCK's annual apartment market survey in that it features an expanded scope to include condominiums, rental houses and apartment properties with fewer than 60 units, which are normally not included.. The goal of this survey was to provide a macro view of Tuscaloosa's rental housing market addressing market conditions in each of the various segments of the rental housing market, as well as identify future rental housing product that is under construction and being considered for near-term construction in the foreseeable future.

Purpose of this Report:

To help quantify current market conditions and identify the future pipeline of new apartment product actively under construction and other projects actively being considered. *This study is not intended to quantify and/or forecast the demand for apartments in the near-term, or provide opinions regarding the quantity of apartment product that can be comfortably absorbed by the market in the coming years. Another report set to be released in the coming weeks will address some of those issues.*

This survey is based our research of 136 traditional apartment properties comprising 11,127 units representing the vast majority of the conventional apartment stock, as well as the major student apartment properties, Low Income Housing Tax Credit apartment properties, 16 condominium properties representing the majority of the rental condo stock, and data from several of the rental house owners involved with rental housing "Inside the Box."

In 2012, ROCK gathered data on a significant portion of the conventional apartment market, but excluded condominiums and rental houses. The enclosed survey includes data on 30 apartment properties that were not included in previous surveys (19 of which are located Inside the Box and one of which is downtown). As a result, the majority of the data will be indicative of the entire pool of data (Full Data Set) we collected this year, while comparison data such as absorption and rent growth data will be based on a "same-store" comparison of data from properties which participated both last year and the current year, or were new construction properties delivered after our last Fall 2012 survey. We believe that this will provide the most complete snap-shot of the market, while also providing meaningful trend data.

A significant number of small apartment properties exist throughout the market, with a rather high concentration of small properties "Inside the Box" that cater to the student population. While our survey did not attempt to identify every apartment property in the market, or even every apartment property "Inside the Box," the breath of our survey is believed to provide a meaningful and comprehensive depiction of the student rental housing market, and broader rental market. While this Fall 2013 survey sought to significantly expand the number of properties for which data was collected in comparison to previous surveys, a small number of properties contacted were uncooperative; although these properties consisted of mostly small properties under 40 units. All of the largest apartment property owners were cooperative and provided meaningful information for their portfolios regardless of property size. The enclosed data includes information for many small properties (even some 6-plex and 8-plex properties), and many between 10 and 20 units, and is therefore believed to be representative of the broad spectrum of property types evident in the market. While this survey does not include information from "every" apartment property, condominium or rental house, it does include almost every large 60+ unit property, and given the small size of those properties not included relative to the overall market, we believe that inclusion of those small properties would not have a significant impact on the overall results and conclusions of the survey (i.e., they would be statistically insignificant).

EXECUTIVE SUMMARY

TUSCALOOSA

Our survey reveals that the Tuscaloosa apartment market has softened somewhat over the past year with modest declines in occupancy and increases in rent concessions in all submarkets, but remains reasonably healthy and stable exhibiting an average occupancy rate of 97.0% among “market-rate” properties – a rate much higher than other major markets throughout the state. The average occupancy of student “by-the-bed” properties was 95.2% (based on delivered units) reflecting a 2.0% decline compared to Fall 2012 – the largest decline of all the data sets. In contrast, a comparison of “same store” traditional apartments indicated a slight decline in average occupancy of only 0.6% from Fall 2012.

The data indicate a growth need of approximately 1,000 new off-campus beds per year to keep pace with growing student enrollment at the University of Alabama. However, a total of 1,443 new “conventional” beds were delivered over the past year, of which 1,193 beds were in four “student” properties and 250 beds in four other “by the unit” properties. These additions also do not include the many new rental houses added to the market near campus. While population growth is believed to also have occurred, our research indicates that the pace of supply growth has exceeded demand resulting in the overall decline in occupancy and a weakening of the multi-family market over the past year.

While the overall market occupancy remains at a relatively healthy level (compared to other Alabama markets), it is not as robust as it has been in Tuscaloosa in the most recent years. For comparison purposes, 2013 revealed occupancy rates of 93.0% for Birmingham, 91.6% for Huntsville, 91.8% for Mobile, and 90.3% for Montgomery. In Tuscaloosa, our research reveals:

- 1,496 new “off-campus” beds (543 units) are actively under construction in six conventional properties with deliveries before Fall 2014
- 871 beds at Presidential Village, Phase 2 residence hall are also slated for delivery for Fall 2014
- A total of 2,367 new beds appear to be destined for delivery by Fall 2014, excluding “affordable” housing

While employment growth is a primary driver of apartment demand, student enrollment is the most significant driver of demand in the Tuscaloosa market in most years. With 2,367 new beds scheduled for delivery and occupancy by Fall 2014, and student enrollment resulting in an average need of 1,000 beds per year (assuming historical trends continue, which may not be a reliable assumption), it is apparent that 2014 WILL BE A VERY CHALLENGING YEAR for apartment properties, particularly those that cater to student residents.

Furthermore, our research revealed the following regarding FUTURE CONSTRUCTION:

- four large student properties (over 2,000 beds) are being planned for near-term starts
- another 650+ beds in five smaller properties are being planned that would appeal to students

- all future starts that would appeal to students and appear to be actively progressing are close to campus
- three “affordable” apartment developments and one market-rate “senior” project are also planned
- in total, we’ve identified over 3,830 beds (over 1,730 units) that have the potential to be started soon
- of the projects being proposed, over 1,000 beds in 5 projects are in the downtown area alone

While current occupancy rates are mostly healthy, the significant supply actively under construction and slated for near-term delivery is VERY CONCERNING and will likely result in a continued decline in occupancy and stagnating or declining rental rates for existing apartment properties in 2014, unless a substantial spike in enrollment or population/employment occurs before Fall 2014. With a robust pipeline of near-term starts, it is difficult to see how the Tuscaloosa apartment market will be able to maintain a high occupancy rate in 2014 and 2015 without some significant catalyst event to boost employment, population and/or student enrollment.

As the majority of the new supply under construction and planned is either specifically designed for, or at least will cater to the student population, this segment of the market appears to be poised for SIGNIFICANT CHALLENGES in the foreseeable future. Of course, while apartment development activity across the country is occurring at a rapid pace and Tuscaloosa’s economy is poised for continued growth, debt and equity capital sources remain cautious and it seems highly likely that at least a few of the future projects slated for near-term start could be delayed or cancelled as due diligence progresses and developers and capital sources take stock of the signals of weakness evident in the market.

While this study is not intended to quantify and/or forecast demand for apartments in the near-term, or provide opinions regarding the quantity of apartment product that can be comfortably absorbed by the market in the coming years, it does appear that:

1. without some substantial increases in demand, over and above what has been typical in recent years:

- a. the Tuscaloosa apartment market is likely to become over-built and grow weaker over the foreseeable future as a result of the pending new construction; and,
- b. the student “by the bed” properties would likely incur the brunt of occupancy declines, although the sheer magnitude of new construction in 2014 alone will have widespread negative effects on the broader apartment market; and,
- c. the additional construction, not yet started, but proposed for delivery for 2015 would further exasperate the market and likely lead to even further declines in occupancy

2. the number of large student “by the bed” properties being planned is cause for greatest concern

EXECUTIVE SUMMARY DATA TABLE

Tuscaloosa Mult-family Survey

Fall 2013

	Traditional Apartments	Student "By the Bed" Apartments	All Apartments	Condominium	All Conventional	Tax Credit Apartments
Number of Properties Surveyed	135	11	146	14	160	5
Total Units Surveyed	10,743	2,544	13,287	917	14,204	350
Totals Beds Represented	18,568	7,553	26,121	1,862	27,983	756
Average Occupancy Rate	97.5%	95.2%	97.0%	99.0%	97.2%	97.7%
Total Occupied Units	10,472	2,244	12,716	908	13,624	342
Total Vacant Units	271	122	393	9	402	8
Total Units Absorbed Since Fall 2012 *	59	264	323	n/a	n/a	-6
Change in Occupancy Since Fall 2012 *	-0.6%	-1.8%	-0.9%	n/a	n/a	1.7%
Average Unit Size (Sq. ft.)	934	1,318	1,014	1,064	1,017	1,035
Average Quoted Rental Rate per Month	\$714	\$1,678	\$898	\$1,106	\$912	\$541
Average Quoted Rental Rate per SF	n/a	\$1.27	n/a	n/a	n/a	\$0.52
Average Quoted Rental Rate per Bed	\$413	\$565	\$457	\$545	\$463	\$461
Properties Offering Concessions	11	5	16	1	17	0
Percent Offering Concessions	8%	45%	11%	7%	11%	0%
Average Concession - Per Month	\$22	\$101	\$54	\$140	\$55	\$0
Average Concession - % Quoted Rent	3.1%	6.0%	6.0%	12.7%	6.7%	0.0%
Annual Change in Average Concession	\$17	\$101	\$49	n/a	n/a	\$0
Average "Effective" Rent Growth (12 mos.) *	2.2%	-1.4%	2.9%	n/a	n/a	1.2%
Units / Beds Delivered - Since Fall 2012	150 / 250	356 / 1193	506 / 1,443	0	506 / 1,443	88 / 180
Units / Beds - Under Construction **	205 / 326	353 / 1,139	558 / 1,465	0	558 / 1,465	136 / 274
Future Starts - Units	545 /	Over 1,187 /	Over 1,732 /	0	Over 1,732 /	202 /
Future Starts - Beds	Over 735	Over 2,885	Over 3,620	0	Over 3,620	411

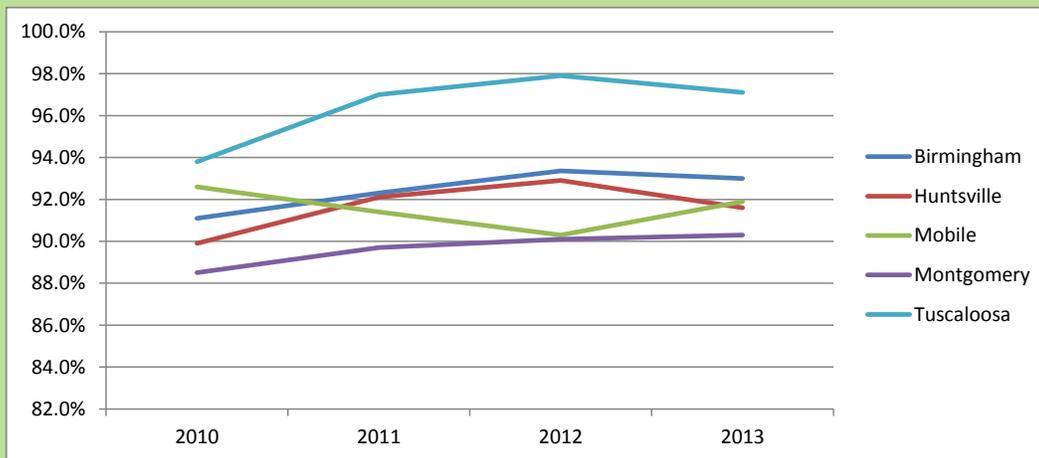
* Based on "Same Store" data comparison with our Fall 2012 survey, plus new construction additions (a smaller sample size than the "Full Data Set")

** Plus another 871 beds (239 units) are under construction on-campus at Presidential Village, Phase II

OCCUPANCY COMPARISONS

ALABAMA MARKETS

ALABAMA MARKET OCCUPANCY COMPARISON

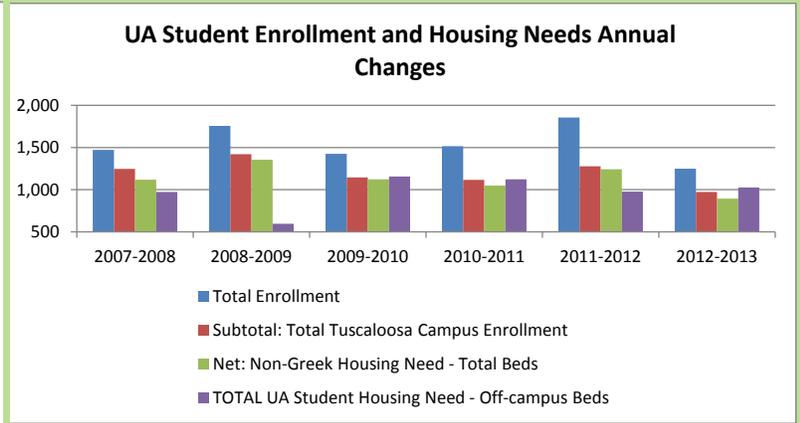
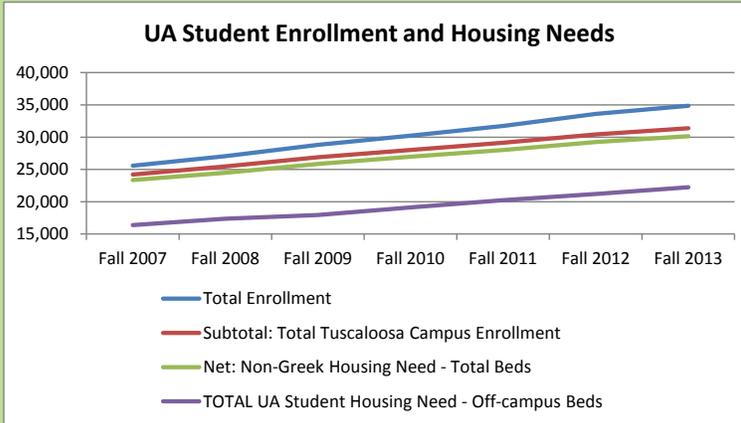


ALABAMA MARKET OCCUPANCY COMPARISON

Mid 2013

	Birmingham	Huntsville	Mobile	Montgomery	Tuscaloosa
2010	91.1%	89.9%	92.6%	88.5%	93.8%
2011	92.3%	92.1%	91.4%	89.7%	97.0%
2012	93.4%	92.9%	90.3%	90.1%	97.9%
2013	93.0%	91.6%	91.9%	90.3%	97.0%
Source: ROCK Apartment Advisors					

UNIVERSITY OF ALABAMA ENROLLMENT & HOUSING



University of Alabama Enrollment and Housing Need Summary Fall 2013

	Fall 2007	Fall 2008	Fall 2009	Fall 2010	Fall 2011	Fall 2012	Fall 2013
Total Enrollment	25,580	27,052	28,807	30,232	31,747	33,602	34,852
Less: Internet/Video	955	1,277	1,635	1,980	2,351	2,960	3,283
Less: Gadsden/Out - of - country classes	409	312	288	223	251	220	174
Subtotal: Total Tuscaloosa Campus Enrollment	24,216	25,463	26,884	28,029	29,145	30,422	31,395
Less: Greek Housing	844	971	1,038	1,059	1,127	1,161	1,239
Net: Non - Greek Housing Need - Total Beds	23,372	24,492	25,846	26,970	28,018	29,261	30,156
Less: On - campus, Non - Greek Housing Beds	6,989	7,135	7,892	7,860	7,784	8,050	7,919
TOTAL UA Student Housing Need - Off Campus Beds	16,383	17,357	17,954	19,110	20,234	21,211	22,237
Annual Changes							
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	
Total Enrollment	1,472	1,755	1,425	1,515	1,855	1,250	
Subtotal: Total Tuscaloosa Campus Enrollment	1,247	1,421	1,145	1,116	1,277	973	
Net: Non-Greek Housing Need - Total Beds	1,120	1,354	1,124	1,048	1,243	895	
TOTAL UA Student Housing Need - Off - Campus Beds	974	597	1,156	1,124	977	1,026	
Source: UA Office of Institutional Research & Assessment							

UNIVERSITY OF ALABAMA STUDENT ENROLLMENT & POPULATION TRENDS

Student Enrollment and Population Trends

- Tuscaloosa County's population has grown by 1,814 persons per year from 2010 to 2012 per U.S. Census data and is projected to grow by an average of near 2,000 persons per year between 2013 and 2020.
- The populations of the cities of Tuscaloosa and Northport have collectively grown by an average of 1,456 people between 2010 and 2012 per U.S. Census data, accounting for roughly 80% of the county's total growth.
- Total Enrollment at the University of Alabama has grown at an average rate of 1,545 students per year over the past six years. However, when internet/video and out-of-area students are excluded, the University's Tuscaloosa campus student enrollment trends indicate annual growth of an average of 1,122 students from 2010 to 2013 (1,197 per year over past six years) with the lowest growth being in 2013 at 973 students.
- Excluding Greek housing, the Tuscaloosa campus student enrollment indicates a need for 30,156 beds for Fall 2013, a need that has grown at an average rate of 976 beds per year over the past six years (1,071 beds per year average over past four years).

Conclusions:

1. The majority of the population growth in Tuscaloosa/Northport and Tuscaloosa County in recent years can be attributed to student growth.
2. Recent enrollment history suggests consistent demand of approximately 1,000 beds per year over past 4-6 years.

Assuming that both enrollment and the area's population continue to grow at a similar pace as recent years, there should be continued demand for additional apartment product in the Tuscaloosa area over the foreseeable future.

TUSCALOOSA, AL SUPPLY

Below is a summary of new supply deliveries by the number of bedrooms delivered, excluding Greek Housing:

NEW SUPPLY DELIVERIES - BED COUNT						
Tuscaloosa, Alabama Fall 2013						
Year	Traditional	Student	Affordable	University Housing	Condos	Total
2010	0	1,476	260	0	0	1,736
2011	0	1,375	42	0	0	1,417
2012	0	820	108	971	0	1,899
2013	250	1,193	180	0	0	1,623
					Average	1,669

Source: ROCK Apartment Advisors

Future Supply

- A total of 2,641 beds (988 units) in nine projects are actively under construction for delivery before Fall 2014, according to our research. Of these, 1,496 beds are in six conventional projects, 871 beds are in the Presidential Village, Phase II residence hall and 136 beds are in two "affordable" properties.
- A total 3,830 beds (1,730 units) in 14 projects have been identified as being in active due diligence with potential for delivery in late-2014 and 2015
- Rumors of substantial additional product in addition to that identified herein are rampant, although our research has failed to substantiate and identify those properties. The Tuscaloosa Country Club is slated for redevelopment to include a mix of residential which would include apartments, although no specific projects were identified that were far enough along to provide clear definition or lead us to believe that development was eminent. However, due to its location on the western fringe of downtown Tuscaloosa with excellent views of the river, this area is ripe for redevelopment and provides abundant land to accommodate substantial new apartment supply.

TUSCALOOSA, AL

FUTURE SUPPLY

APARTMENT UNITS UNDER CONSTRUCTION Tuscaloosa, Alabama as of August 2013

PROJECT NAME	SUBMARKET	STATUS	STREET	TYPE	TO BE DELIVERED		DEVELOPER	1ST DELIVERIES	COMMENTS	
					UNITS	BEDS				
<i>Market-rate Apartments</i>										
1	Avenue at Tuscaloosa, II	South of Interstate	Underway	AL Highway 69	Student	120	408	Park 7 Group	2014	Hwy 69 at Kauloosa Ave
2	The Lofts at City Center, II	East Tuscaloosa	Underway	McFarland at 15th Ave	Student	172	616	908 Development	2014	Former Wood Square center
3	Green Bear Lofts	Downtown	Underway	Greensboro Ave	Student	61	115	Chance Partners	2014	Includes 3,750 SF retail
4	2700 Capital Park	Downtown	Underway	University Blvd / 28th Ave	Conventional	166	209	Sealy	2014	
5	Central Park	Inside the Box	Underway	510 12th Street / Hackberry	Conventional	33	102	College Station Properties	Fall 2014	Across from Jack's restaurant
6	Gramercy Park	Inside the Box	Underway	11th Street, west of Hackberry	Conventional	6	15	College Station Properties	Fall 2014	
<i>Subtotal</i>						558	1,465			
<i>University Housing - On Campus</i>										
7	Presidential Village, II	On-campus	Underway		Residence Hall	239	871	Univ. of Alabama	Aug-14	Former Rose Towers site
<i>"Affordable" Apartments</i>										
8	Rosedale Court, Phase 2	South of 15th	Underway	10th Avenue	Public/LIHTC	86	174	Tuscaloosa Housing Auth.	Dec-13	
9	Hurricane Creek Trace	East Tuscaloosa	Underway	6th St East & 44th Ave East	LIHTC - senior	50	100	Community Services Programs	Late 2014	50 detached rental housing units
<i>Subtotal</i>						136	274			
TOTAL						933	2,610			

Source: Rock Apartment Advisors and David Wilson, MAI

TUSCALOOSA, AL

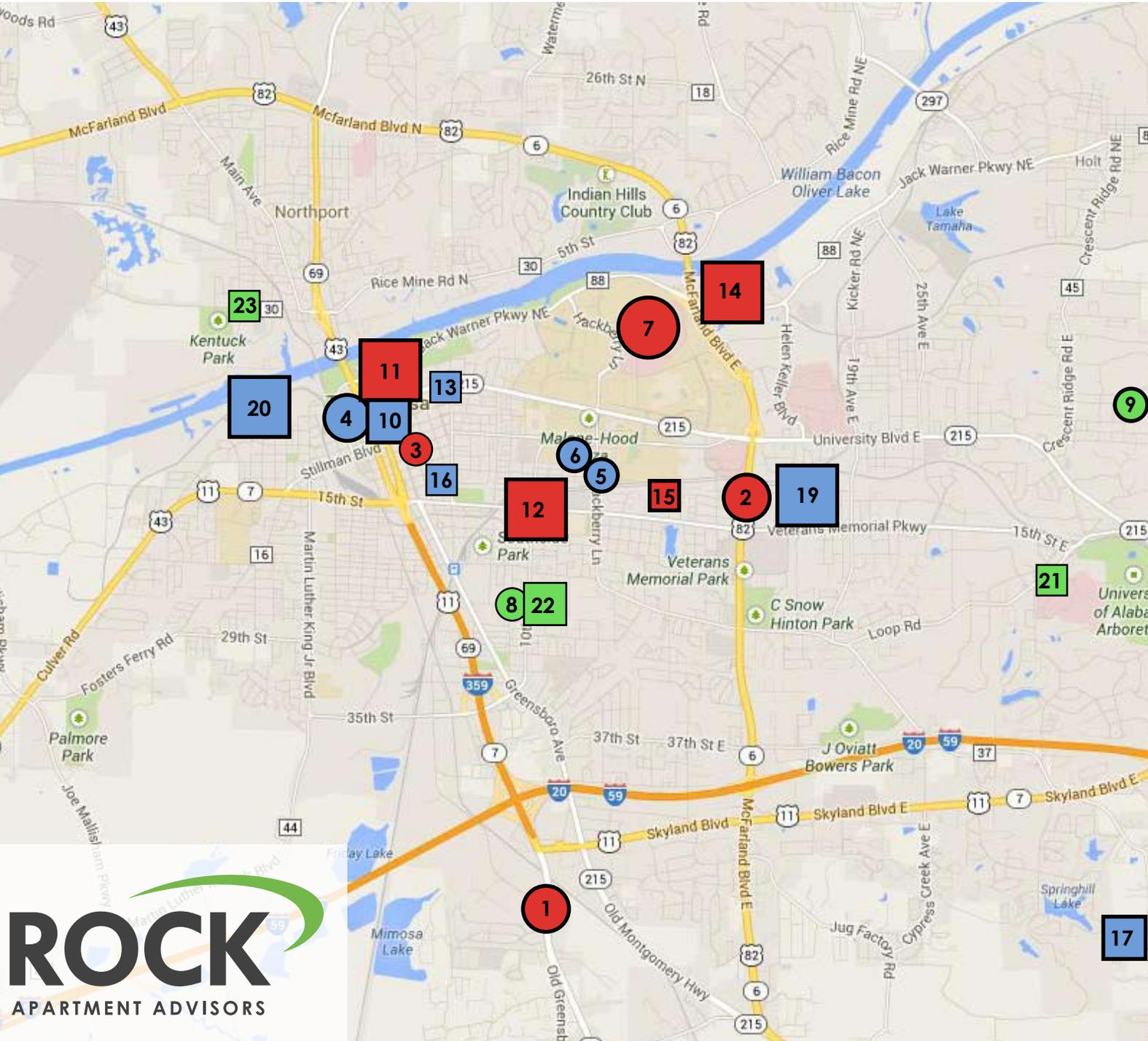
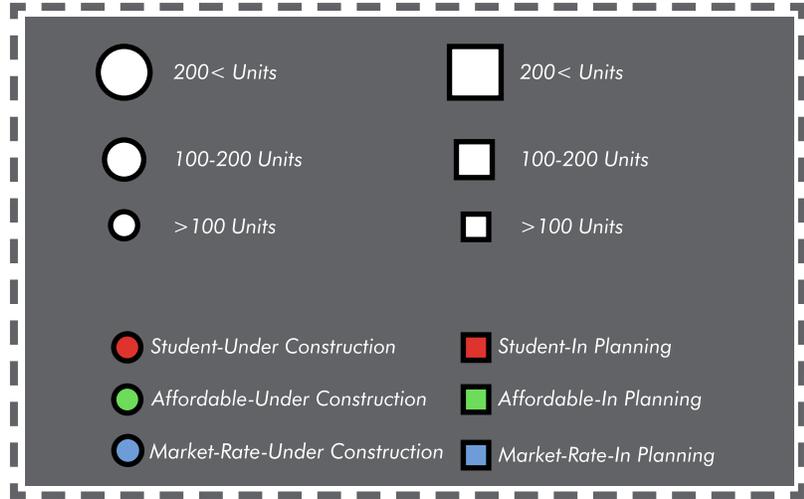
FUTURE SUPPLY

APARTMENT UNITS PLANNED-FUTURE STARTS Tuscaloosa, Alabama as of August 2013

PROJECT NAME	SUBMARKET	STATUS	STREET	TYPE	TO BE DELIVERED		DEVELOPER	1ST DELIVERIES	COMMENTS	
					UNITS	BEDS				
<i>Planned/Future Construction</i>										
10	The Flats at 2330	Downtown	Finalizing plans	NEC Greensboro at University	Conventional	116	123	Wisteria Capital	Aug 2014	Existing old bank building
11	Riverfront Village	Downtown	Awaiting approvals	Jack Warner Pkwy	Student	207	453	Chance Partners	2014	Approvals expected in April 2013
12	Central Plaza site	Inside the Box	Due Diligence	NWC 15th St. / 10th Ave.	Student	200	555	South City Partners (Atlanta)	Fall 2015	Will include 10,000 SF retail
13	Rosewood on 4th, Ph. 1	Downtown	Due Diligence	University, East of 22nd Ave	Conventional	59	110	Paramount (Ford Waters)	Unknown	
14	The Grove	East Tuscaloosa	Due Diligence	NEQ Jack Warner & McFarland	Student	228	628	Campus Crest	Fall 2015	Adjacent to The Bluffs, approved
15	Old Row Colverdale II	Inside the Box	Awaiting re-zoning	225 Wesley Place, N of 15th St	Student	15	75	Todd Palmer	Fall 2015	Tear down of old apartments
16	The Balcony	Downtown	Due Diligence	2216 11th St. at 22nd Ave	Conventional	22	50	Colt I LLC	Unknown	960 SF commercial.
17	Beacon Hill	South of Interstate	Due Diligence	Hargrove, south of Skyland	Market-senior	148	252	Bill Trick / Jackson Wallace	Unknown	1-story, requires rezoning
18	Confidential location	Confidential	On hold	Confidential	Student	337	774	Confidential	Unknown	No immediate plans
<i>Subtotal</i>						1,332	3,020			
<i>Market-rate Apartments (details not fully disclosed)</i>										
19	Name not disclosed	East Tuscaloosa	Due Diligence	13th Ave, east of McFarland	Student	Unknown	Over 400	Confidential	Fall 2015	East of Lofts at City Center
20	No name	Downtown	Due Diligence	Tuscaloosa Country Club site	Unknown	200	Unknown	Confidential	Fall 2015	Unit count is approx.
<i>Subtotal</i>						Over 200	Over 400			
<i>"Affordable" Apartments</i>										
21	Valor Grove	East Tuscaloosa	Awaiting approvals	3701 Loop Road	LIHTC - vets	50	83	MAP Development, LLC	Dec 2014	3-story building for veterans
22	Rosedale Court, Phase 3	South of 15th	Due Diligence	10th Avenue	Public/LIHTC	128	256	Tuscaloosa Housing Auth.	Unknown	Seniors/disabled
23	Stonebrook, Phase 3	North River	On hold	Northport	Public housing	24	72	Northport Housing Auth.	Unknown	Waiting on funds
<i>Subtotal</i>						202	411			
TOTAL						Over 1,734	Over 3,831			

Source: Rock Apartment Advisors and David Wilson, MAI

TUSCALOOSA, AL FUTURE SUPPLY



MARKET SURVEY

INSIDE THE BOX (1)

Alabama
Alexandria
BroadStreet Village
Bryant Drive Apartments
Cambridge
Canterbury
Cherokee
Churchill Downs
Cobblestone Court
College Place
Collegiate Downs
Cornerstone
Crestmont Manor
Driftwood
Duncan House
Emerson Court
Five Oaks
ForestPark
Gates at Cedar Crest
Georgian
Grace Street
Grenadier
Hamilton Place
Heathrow
Hunt House
Merrimac Arms
Morgan Apartments
Morrison
Murray Manor
Notting Hill
Old Row at Cloverdale
Old South
Preston Place
Pride's Court
Princeton
Reed Street
Riverside Drive
Roanoke

Saint Charles
Saint George
Saint James
September Place
Sherrill Plaza Apartments
Stadium View
The Grove @ University
Park
The Oaks
Tide
University Downs, Phase II
University Square
Walden Chase
Wickford
Windemere

SOUTH OF 15TH (2)

2800 McFarland (formerly
Willow Trace)
Albright Apartments
Barclay
Belmont
BentTree
Brookstone
Camelot
Carriage Inn
Chateau
Creeside
East Park
Forest Lake
Fountain Square
French Quarter
Hackberry Commons
Hackberry Place
Tavern House
Tenth Avenue Apartments
University Place
Willow Chase
Woodlawn Manor

EAST TUSCALOOSA (3)

Alford
Ashley Manor
Brookhaven
Claymont
Courtwoods
Eastwood Manor
Eddins Estates
Emory Woods
Harvest Ridge
High Point
Highlands
Kennedy Place
Kensington Square
Point O View
Quail Valley
River Cliff
River Edge
River Pointe
River Road
River Road Apartment Park
Savannah Gates
Sheffield Court / Staffords
Stone Creek
The Bluffs @ Waterworks
Landing
Waterbank
Williamsburg East
Windsor Hill
Yorktown Commons

SOUTH TUSCALOOSA

(4)

Aspen Village
Country Club
Court Yard
Crowne Pointe
Cypress Creek
Englewood

High Country
Inverness
Mountain View
Palisades
Parkwood
Regal Pointe
Skyland
Sun Valley
The Greens at Tuscaloosa
The Heights at Skyland
The Links @ Tuscaloosa
Timberlane
Tree Top
Valley Square

NORTH RIVER (5)

Essex Square
Forest Trail
High River
Northbrook
Northsquare
River Run
Rivermont
Riviera
Royal Hills

THE RESERVE @ NORTH RIVER

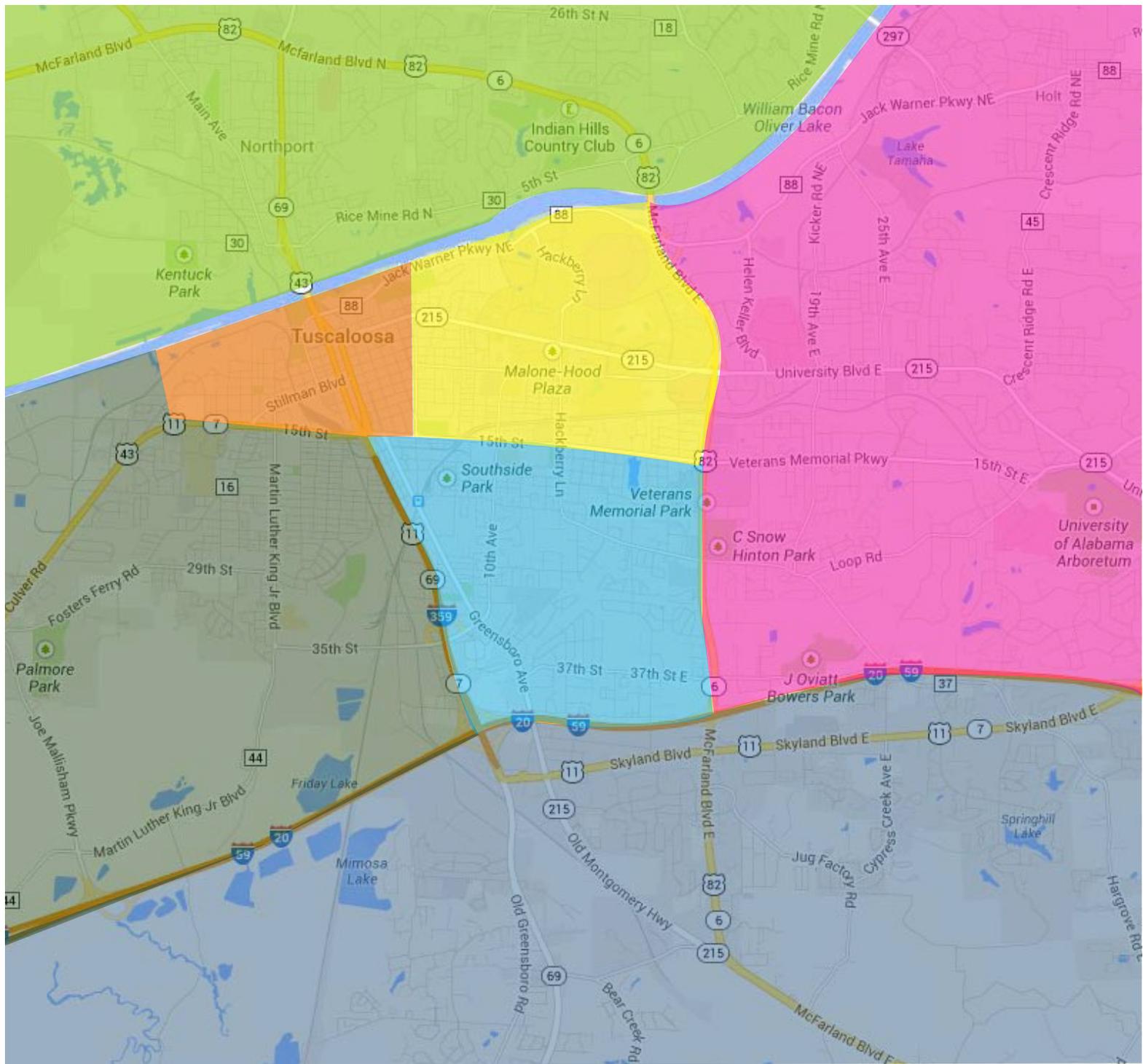
STUDENT

513 Rockpointe
Boardwalk at Brittain Landing
Boulevard Lofts
Campus Way (formerly Uni-
versity Commons)
Crimson Student Living
East Edge
The Avenues at Tuscaloosa
The Lofts at City Center
The Retreat @ Lake Tamaha
The Woodlands
University Village

CONDOMINIUMS

Abington Court
Capstone
Capstone Quarters
Capstone Townes
Crimson Place
Emory Woods Condos (for-
merly Lakeshore Ridge)
Harbrooke Downs
Houndstooth
Midtown Village
Stadium View
Summit
Traditions
University Downs
Village at Brook Meadow
AFFORDABLE
Grandview Apartments
Hallmark @ Garden Parkway
Hampton Point
Pine Cone
Winding Creek

TUSCALOOSA, AL PARTICIPATING PROPERTIES



TUSCALOOSA, AL SUBMARKETS

- Inside the Box
- South of 15th
- East Tuscaloosa
- South Tuscaloosa
- North River
- Downtown
- West Tuscaloosa

TUSCALOOSA, AL

SUPPLY HISTORY

New Multi-Family Supply History As of August 21, 2013

(Not intended to be a comprehensive list of every apartment development in Tuscaloosa / Northport for the time periods specified; but includes the most significant developments.)

Property Name	Submarket	Type	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Bed Count
Conventional Properties														
Englewood	East Tuscaloosa	Conventional												96
Palisades	South of Interstate	Conventional												496
Regal Pointe at Cypress Creek *	South of Interstate	Conventional	104											188
Nottingham	Inside the Box	Conventional	6											10
Kennedy Place, Phase 2	East Tuscaloosa	Conventional		16										32
Walden Chase	Inside the Box	Conventional		18										28
Eddin Estates	East Tuscaloosa	Conventional			216									426
Crowne Pointe *	South of Interstate	Conventional	24	32	8									153
Mountain View	South of Interstate	Conventional		150	70									396
Maree Rouge	Inside the Box	Conventional			6									12
Twelfth Avenue Apartments	Inside the Box	Conventional			35									60
Emerson Court	Inside the Box	Conventional				8								12
Northsquare, Phase 2	North River - Northport	Conventional				36								72
Forest Trail	North River - Northport	Conventional				248								416
The Reserve at North River	North River - Tuscaloosa	Conventional				240								456
The Links at Tuscaloosa	South of Interstate	Conventional					480							800
The Greens at Tuscaloosa	South of Interstate	Conventional					228	156						640
Aspen Village, Phase VI	South of Interstate	Conventional					8							8
Abington Court	Inside the Box	Conventional						12						12
The Grove at University Park	Inside the Box	Conventional						11						33
The Bluffs at Waterworks Landing	East Tuscaloosa	Conventional						116	24					280
French Quarter	South of 15th	Conventional						77						107
Capstone Townes	Inside the Box	Conventional							6					18
Gates at Cedar Crest	Inside the Box	Conventional											62	124
Ashley Manor	East Tuscaloosa	Conventional											18	18
Broad Street Village	Downtown	Conventional											62	84
The Edge at Forest Lake	South of 15th	Conventional											8	24
		Subtotal	134	432	119	532	716	372	30	0	0	0	150	5,001
Student "Rent-by-the-Bed"														
University Village, Ph. 1 and 2	South of 15th	Student				260								732
Boardwalk at Brittain Landing	South of Interstate	Student					66	84						600
The Retreat at Lake Tamaha	East Tuscaloosa	Student						170						637
University Village, Phase 3	South of 15th	Student						96						204
University Village, Phase 4	South of 15th	Student							96					228
University Village, Phase 5	South of 15th	Student								72				132
The Woodlands	East Tuscaloosa	Student								209	211			1350
Retreat at Lake Tamaha, Phase 2	East Tuscaloosa	Student								172				669
Sterling Crimson	South of 15th	Student									316			700
East Edge	Inside the Box	Student										337		774
Boulevard Lofts	Inside the Box	Student										20		46
513 Rockpoint	Inside the Box	Student											56	180
The Avenue at Tuscaloosa	South of Interstate	Student											103	300
The Lofts at City Center	East Tuscaloosa	Student												176
Old Row at Cloverdale	Inside the Box	Student											21	105
		Subtotal	0	0	0	260	66	350	96	453	527	357	356	7,265
"Affordable" Housing														
Grandview	North River - Northport	LIHTC	70											128
Greenwood Park	West Tuscaloosa	LIHTC rental houses					52							164
Chestnut Trace, Phase 1	South of Interstate	LIHTC						96						216
Hallmark Homes at Garden Pkwy	South of Interstate	LIHTC						92						220
Stonebrook, Phase 1 and 2	North River - Northport	Public housing			32		8							88
McKenzie Court, Phase 1	West Tuscaloosa	Public housing						112						228
Chestnut Trace, Phase 2	South of Interstate	LIHTC								116				260
Presbyterian Towers	Northport	HUD 202 - elderly									42			42
Providence Place	Northport	LIHTC										56		108
Rosedale Court, Phase I	South of 15th	Public housing/LIHTC												88
		Subtotal	70	0	32	0	60	300	0	116	42	56	88	1,634
		TOTAL APARTMENTS	204	432	151	792	842	1,022	126	569	569	413	594	13,900

TUSCALOOSA, AL

SUPPLY HISTORY

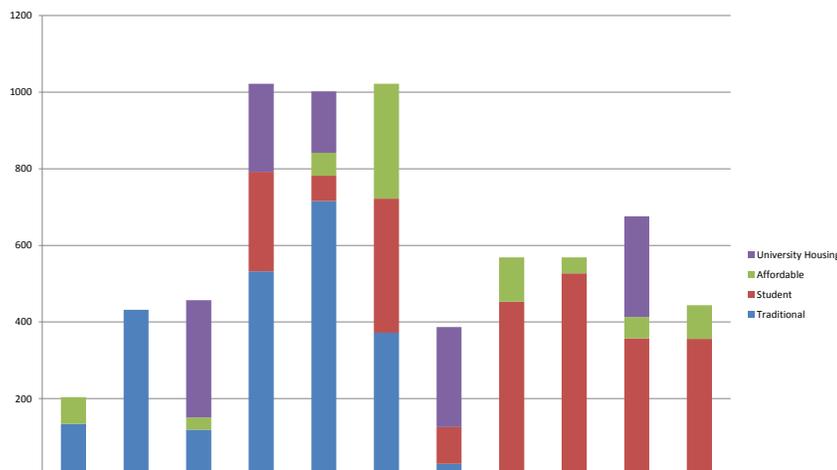
New Multi-Family Supply History As of August 21, 2013

(Not intended to be a comprehensive list of every apartment development in Tuscaloosa / Northport for the time periods specified; but includes the most significant developments.)

Property Name	Submarket	Type	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Unit Count
University Housing (Apartments/Residence Halls)														
Riverside	Inside the Box	On-Campus Student			967									306
Lakeside	Inside the Box	On-Campus Student				538								175
Bryant	Inside the Box	On-Campus Student				159								55
Ridgecrest East and West	Inside the Box	On-Campus Student					631							160
Ridgecrest North and South	Inside the Box	On-Campus Student						960	0					261
Presidential Village	Inside the Box	On-Campus Student										971		259
Totals-University Housing			0	0	967	697	631	0	960	0	0	971	0	1,216
Condominiums														
Capstone Quarter *	East Tuscaloosa				143									
Crimson Place	Inside the Box					148								
Mid-Towne Village *	South of 15th						224							
The Summit	East Tuscaloosa						108							
Traditions	East Tuscaloosa							144						
Legends	Inside the Box							60						
The Chimes	Inside the Box							51						
Houndstooth	Inside the Box								83					
Garden District	Inside the Box								23					
Crimson Corners	Inside the Box								42					
Totals-Condominiums			Unk.	Unk.	143	148	332	255	148	0	0	0	0	

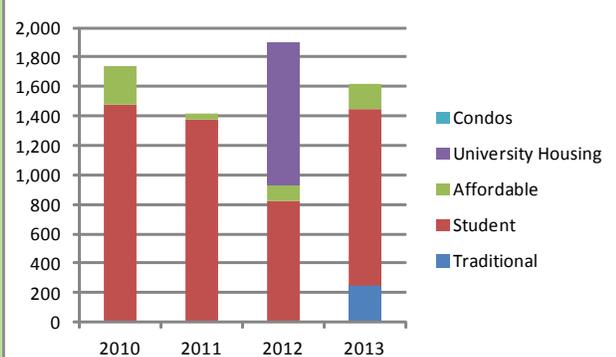
* Estimate of number of units delivered in that year. Unk. = Unknown

Number of Units Delivered



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
University Housing	0	0	306	230	160	0	261	0	0	263	0
Affordable	70	0	32	0	60	300	0	116	42	56	88
Student	0	0	0	260	66	350	96	453	527	357	356
Traditional	134	432	119	532	716	372	30	0	0	0	0

Number of Beds Delivered



TUSCALOOSA, AL

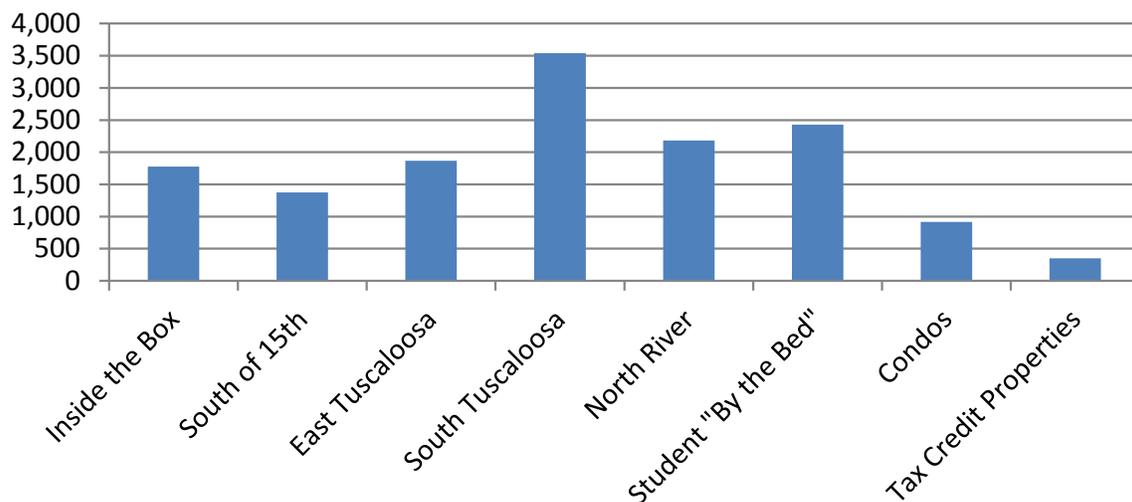
SURVEY SAMPLE / SUPPLY

DISTRIBUTION OF UNITS IN SAMPLE

Fall 2013

Submarket	Participating Properties			Bedroom Type					Year Built				
	Number of Properties	Total Units	Total Beds	Eff.	One	Two	Three	Four	Pre-1970	1970's	1980's	1990's	2000+
1 Inside the Box	52	1,777	2,893	93	716	845	98	25	405	315	364	228	465
2 South of 15th	21	1,373	2,213	35	515	806	17	0	137	644	506	9	77
3 East Tuscaloosa	28	1,868	3,405	44	447	1,217	160	0	184	314	386	498	486
4 South Tuscaloosa	24	3,541	6,264	32	1,052	2,200	248	9	40	720	682	686	1,413
5 North River	10	2,184	3,793	86	715	1,157	226	0	0	440	920	336	488
TRADITIONAL APTS	135	10,743	18,568	290	3,445	6,225	749	34	766	2,433	2,858	1,757	2,929
Student "By the Bed"	11	2,544	7,553	122	253	516	466	1,187	0	440	920	336	488
ALL APARTMENTS	146	13,287	26,121	412	3,698	6,741	1,215	1,221	766	2,433	2,858	1,944	5,286
Condos	14	917	1,862	0	200	509	188	20	45	29	23	60	760
ALL CONVENTIONAL	160	14,204	27,983	412	3,898	7,250	1,403	1,241	811	2,462	2,881	2,004	6,046
Tax Credit Properties	5	350	756	0	78	138	134	0	0	0	0	128	222

Supply by Submarket (in Units)



OCCUPANCY RATE AND TRENDS

- Overall occupancy is healthy at approximately 97% among the conventional apartment stock, although this leaves approximately 950 conventional beds vacant as of 8/21/2013.

- Tuscaloosa's average occupancy rate is the highest average among all major Alabama markets

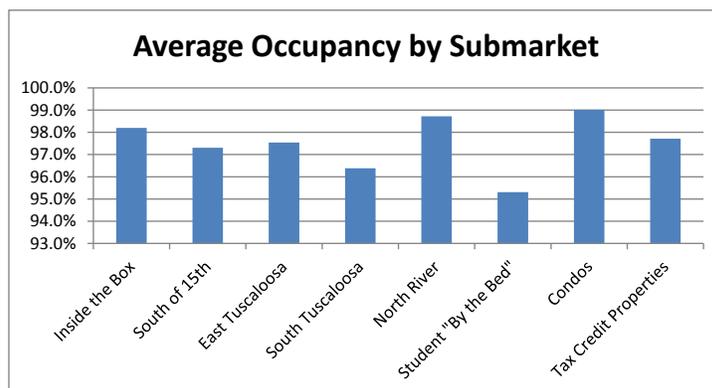
- Every submarket posted a minor decline in occupancy among its traditional apartment stock when compared to Fall 2012 (all less than a 1% decline)

- Traditional properties reported an average occupancy rate of 97.5% - 0.6% lower than Fall 2012 with increased concession usage.

- Student "by-the-bed" properties reported an average occupancy rate of 95.2% - 1.9% lower than Fall 2012 with increased concession usage.

- Five of the seven established student properties (those delivered before 2013) reported declines in occupancy compared with Fall 2012.

- Occupancy rates at the large student properties closest to campus (East Edge, Lofts at City Center) were very high (virtually 100%), while many



of the large student properties further from campus struggled to achieve stabilized occupancy rates this year. Several did not even exceed 90% occupancy by the first day of school.

- Delay's in completion of construction at Green Bear Lofts in downtown Tuscaloosa resulted in their pre-leased residents transferring to other properties, mostly to the nearby Crimson Student Living providing a much-needed boost in their occupancy.

- Owners and managers queried consistently reported that the market started off strong with healthy leasing activity early in the year for Fall 2013 occupancy, although the pool of residents became more shallow towards the end of the student leasing season triggering growing concessions in the last few months before August.

AVERAGE OCCUPANCY

Fall 2013

Submarket	Overall Average	Bedroom Type					Year Built				
		Eff.	One	Two	Three	Four	Pre-1970	1970's	1980's	1990's	2000+
1 Inside the Box	98.2%	96.8%	99.6%	98.1%	100.0%	**	99.5%	97.1%	99.2%	97.8%	97.2%
2 South of 15th	97.3%	100.0%	97.7%	97.0%	**	n/a	**	96.7%	97.2%	**	**
3 East Tuscaloosa	97.5%	**	97.3%	97.6%	97.5%	n/a	98.4%	98.1%	99.5%	**	95.1%
4 South Tuscaloosa	96.4%	100.0%	97.8%	95.8%	95.2%	**	**	94.7%	95.6%	96.5%	97.5%
5 North River	98.7%	**	99.9%	97.8%	99.6%	n/a	n/a	96.1%	99.8%	**	**
TRADITIONAL APTS	97.5%	98.6%	98.5%	97.0%	97.6%	70.6%	99.0%	96.3%	98.2%	97.3%	97.5%
Student "By the Bed"	95.2%	**	97.6%	96.2%	95.6%	93.6%	n/a	n/a	n/a	**	95.1%
ALL APARTMENTS	97.0%	99.0%	98.5%	96.9%	96.8%	92.9%	99.0%	96.3%	98.2%	97.2%	96.4%
Condos	99.0%	n/a	100.0%	98.6%	98.9%	**	**	**	**	**	99.2%
ALL CONVENTIONAL	97.2%	99.0%	98.5%	97.0%	97.1%	93.1%	98.6%	96.3%	98.2%	97.3%	96.8%
Tax Credit Properties	97.7%	n/a	100.0%	99.3%	94.8%	n/a	n/a	n/a	n/a	**	96.4%

**Data excluded to preserve confidentiality. However, these data are included in overall averages/totals.

HISTORICAL TRENDS

Submarket	Period	Sample Size		Average Monthly Rent		Effective Rent Growth	Units Absorbed	Occupancy
		Properties	Units	Quoted	Effective			
1 Inside the Box	Fall 2010	30	1,149	\$676	\$673	2.1%	44	97.7%
	Fall 2011	21	766	\$726	\$726	n/a	n/a	98.4%
	Fall 2012	33	1,315	\$768	\$768	n/a	n/a	98.9%
	Fall 2013	52	1,777	\$827	\$827	n/a	n/a	98.2%
2 South of 15th	Fall 2010	14	1,188	\$537	\$522	8.0%	112	93.9%
	Fall 2011	3	278	\$538	\$555	n/a	n/a	97.8%
	Fall 2012	19	1,315	\$557	\$556	n/a	n/a	97.6%
	Fall 2013	21	1,373	\$559	\$549	n/a	n/a	97.3%
3 East Tuscaloosa	Fall 2010	17	1,454	\$712	\$703	4.0%	61	90.2%
	Fall 2011	7	819	\$679	\$675	n/a	n/a	96.1%
	Fall 2012	19	1,506	\$716	\$716	n/a	n/a	97.7%
	Fall 2013	28	1,868	\$717	\$717	n/a	n/a	97.5%
4 South Tuscaloosa	Fall 2010	18	3,410	\$658	\$634	3.1%	106	90.7%
	Fall 2011	9	1,322	\$638	\$636	n/a	n/a	97.8%
	Fall 2012	22	3,175	\$675	\$675	n/a	n/a	97.4%
	Fall 2013	24	3,541	\$687	\$683	n/a	n/a	96.4%
5 North River	Fall 2010	11	2,188	\$713	\$685	2.3%	121	97.1%
	Fall 2011	5	786	\$614	\$612	n/a	n/a	95.4%
	Fall 2012	10	2,184	\$750	\$750	n/a	n/a	99.3%
	Fall 2013	10	2,184	\$757	\$753	0.3%	-13	98.7%
TRADITIONAL APTS	Fall 2010	90	9,389	\$666	\$647	3.4%	444	93.4%
	Fall 2011	45	3,971	\$653	\$651	n/a	n/a	97.1%
	Fall 2012	103	9,495	\$695	\$695	n/a	n/a	98.1%
	Fall 2013	135	10,743	\$714	\$710	n/a	n/a	97.5%
Student "By the Bed"	Fall 2010	5	1,344	\$1,529	\$1,498	-0.5%	368	96.5%
	Fall 2011	2	322	\$1,983	\$1,983	n/a	n/a	96.3%
	Fall 2012	7	2,201	\$1,654	\$1,654	n/a	n/a	97.0%
	Fall 2013	11	2,544	\$1,678	\$1,632	-1.4%	264	95.2%
ALL APARTMENTS	Fall 2010	95	10,733	\$719	\$700	n/a	n/a	93.8%
	Fall 2011	47	4,293	\$753	\$751	n/a	n/a	97.0%
	Fall 2012	110	11,696	\$852	\$851	n/a	n/a	97.9%
	Fall 2013	146	13,287	\$898	\$886	n/a	n/a	97.0%
Condominiums	Fall 2010	8	389	\$1,157	\$1,125	2.9%	65	96.4%
	Fall 2011	0	0	n/a	n/a	n/a	n/a	n/a
	Fall 2012	0	0	n/a	n/a	n/a	n/a	n/a
	Fall 2013	14	917	\$1,106	\$1,101	n/a	n/a	99.0%
ALL CONVENTIONAL	Fall 2010	103	11,122	\$761	\$741	n/a	n/a	93.8%
	Fall 2011	47	4,293	\$753	\$751	n/a	n/a	97.0%
	Fall 2012	110	11,582	\$852	\$851	n/a	n/a	97.9%
	Fall 2013	160	14,204	\$912	\$900	n/a	n/a	97.2%
Tax Credit Properties	Fall 2010	6	402	\$530	\$530	1.0%	-3	97.0%
	Fall 2011	4	290	\$516	\$516	2.6%	7	100.0%
	Fall 2012	5	350	\$534	\$534	n/a	n/a	99.4%
	Fall 2013	5	350	\$541	\$541	1.2%	-6	97.7%

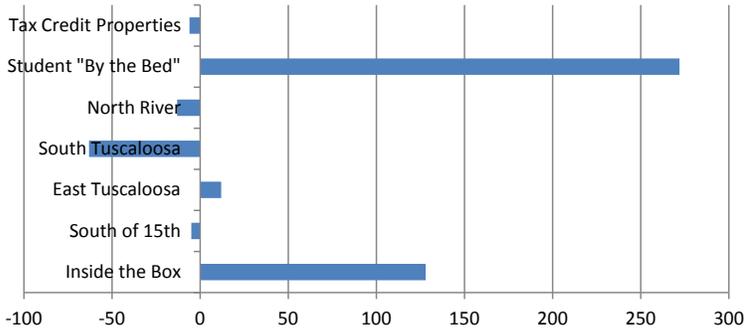
CAUTION: Comparisons of rent growth and absorption using these data from one period to the next are not always reliable due to differences in the sample size (i.e. differences in the properties used to derive the averages).

TUSCALOOSA, AL

ABSORPTION

- Among the 'same-store' sample (does not include Condominiums due to lack of 2012 data), 323 units were absorbed from Fall 2012 to Fall 2013.
- The majority of units absorbed consisted of new product (due to new construction) with both the 1970s and 1980s cohorts reporting negative absorption.

Absorption by Submarket



- Student properties in Tuscaloosa posted the highest absorption with 264 units absorbed, roughly coinciding with the 267 new units constructed and delivered. Average Occupancy among the existing established student properties remained largely unchanged, excluding the newly delivered product.
- Among Traditional properties, the Inside the Box submarket absorbed the most units (128 units) with the South Tuscaloosa submarket posting negative 63 units absorbed.
- The 128 units absorbed Inside the Box were mostly at three new properties (BroadStreet Village, Gates at Cedar Crest and Old Row at Cloverdale).

ANNUAL ABSORPTION SUMMARY

Tuscaloosa, Alabama
Fall 2012 to Fall 2013

Submarket	Total	Bedroom Type					Year Built				
		Eff.	One	Two	Three	Four	Pre-1970	1970's	1980's	1990's	2000+
Inside the Box	128	4	32	78	3	**	1	-13	0	6	134
South of 15th	-5	2	1	-7	**	0	**	-16	9	**	**
East Tuscaloosa	12	**	31	-18	-2	0	-1	6	2	**	5
South Tuscaloosa	-63	0	-47	-19	3	**	**	-23	-48	24	-16
North River	-13	**	9	-21	-1	0	0	-14	2	**	**
TRADITIONAL APTS	59	7	26	13	2	11	2	-60	-35	31	121
Student "By the Bed"	264	**	21	68	29	147	0	0	0	**	233
ALL APARTMENTS	323	7	47	81	31	158	2	-60	-35	62	354
Tax Credit Properties	-6	0	0	-1	-5	0	0	0	0	0	-6

** Data excluded to preserve confidentiality. However, these data are included in overall averages/totals.

TUSCALOOSA, AL

AVERAGE UNIT SIZE

AVERAGE UNIT SIZE

Tuscaloosa, Alabama

(Shown as Square Footage and based only on those properties where Unit Size was known)

Fall 2013

Submarket		Overall Average	Bedroom Type					Year Built				
			Eff.	One	Two	Three	Four	Pre-1970's	1970-1979	1980-1989	1990-1999	2000+
1	Inside the Box	863	285	683	1,008	1,392	2,100	675	810	551	845	1,049
2	South of 15th	846	n/a	622	992	1,115	n/a	440	875	807	990	1,114
3	East Tuscaloosa	957	482	744	1,025	1,185	n/a	888	750	1,046	962	1,019
4	South Tuscaloosa	952	468	706	1,030	1,325	2,042	625	927	896	1,138	910
5	North River	967	427	735	1,072	1,367	n/a	n/a	927	940	916	1,088
	TRADITIONAL APTS	934	403	702	1,031	1,308	2,083	737	880	906	1,019	983
	Student "By the Bed"	1,318	423	624	1,023	1,440	1,623	n/a	n/a	n/a	1,142	1,332
	ALL APARTMENT	1,014	410	696	1,031	1,361	1,634	737	880	906	1,031	1,141
	Condos	1,064	n/a	655	1,046	1,359	1,860	n/a	n/a	325	1,413	1,059
	ALL CONVENTIONAL	1,017	410	695	1,032	1,361	1,638	737	880	901	1,044	1,131
	Tax Credit Properties	1,035	n/a	750	1,015	1,222	n/a	n/a	n/a	n/a	961	1,078

RENTAL RATES

AVERAGE MONTHLY RENT PER UNIT

Tuscaloosa, Alabama-Full Data Set
Fall 2013

Submarket	Overall Average			Bedroom Type												Year Built																	
				Efficiency		One		Two		Three		Four		Pre-1970		1970's		1980's		1990's		2000+											
	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.									
Inside the Box	\$827	\	\$827	\$417	\	\$417	\$597	\	\$597	\$918	\	\$920	\$1,659	\	\$1,659	\$2,517	\	\$2,517	\$612	\	\$612	\$516	\	\$516	\$893	\	\$893	\$890	\	\$890	\$1,143	\	\$1,143
South of 15th	\$559	\	\$549	\$475	\	\$475	\$487	\	\$480	\$609	\	\$596	\$566	\	\$566	n/a	\	n/a	\$388	\	\$388	\$581	\	\$560	\$536	\	\$535	\$806	\	\$806	\$811	\	\$811
East Tuscaloosa	\$717	\	\$717	\$523	\	\$523	\$572	\	\$572	\$723	\	\$723	\$1,131	\	\$1,131	n/a	\	n/a	\$544	\	\$544	\$505	\	\$505	\$680	\	\$680	\$805	\	\$805	\$859	\	\$859
South Tuscaloosa	\$687	\	\$683	\$513	\	\$513	\$573	\	\$569	\$718	\	\$714	\$897	\	\$894	\$1,229	\	\$1,229	\$428	\	\$428	\$639	\	\$635	\$591	\	\$582	\$783	\	\$782	\$720	\	\$716
North River	\$757	\	\$753	\$540	\	\$540	\$642	\	\$642	\$790	\	\$782	\$1,034	\	\$1,034	n/a	\	n/a	n/a	\	n/a	\$656	\	\$656	\$702	\	\$702	\$713	\	\$713	\$982	\	\$962
TRADITIONAL APTS	\$714	\	\$710	\$487	\	\$487	\$579	\	\$577	\$746	\	\$741	\$1,081	\	\$1,079	\$2,176	\	\$2,176	\$546	\	\$546	\$593	\	\$587	\$667	\	\$665	\$790	\	\$790	\$856	\	\$851
Student "By the Bed"	\$1,678	\	\$1,632	\$785	\	\$785	\$859	\	\$842	\$1,192	\	\$1,176	\$1,759	\	\$1,745	\$2,124	\	\$2,061	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	\$1,561	\	\$1,519	\$1,688	\	\$1,641
ALL APARTMENTS	\$898	\	\$886	\$575	\	\$575	\$599	\	\$595	\$780	\	\$774	\$1,341	\	\$1,335	\$2,126	\	\$2,064	\$546	\	\$546	\$593	\	\$587	\$667	\	\$665	\$864	\	\$860	\$1,227	\	\$1,203
Condos	\$1,106	\	\$1,101	n/a	\	n/a	\$750	\	\$750	\$1,066	\	\$1,057	\$1,544	\	\$1,544	\$1,550	\	\$1,550	\$622	\	\$622	\$1,069	\	\$1,069	\$400	\	\$400	\$1,029	\	\$947	\$1,164	\	\$1,164
ALL CONVENTIONAL	\$912	\	\$900	\$575	\	\$575	\$606	\	\$603	\$800	\	\$794	\$1,368	\	\$1,363	\$2,116	\	\$2,056	\$550	\	\$550	\$599	\	\$592	\$665	\	\$663	\$869	\	\$862	\$1,219	\	\$1,198
Tax Credit Properties	\$541	\	\$541	n/a	\	n/a	\$401	\	\$401	\$523	\	\$523	\$641	\	\$641	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	\$496	\	\$496	\$566	\	\$566

AVERAGE MONTHLY RENT PER BED

Tuscaloosa, Alabama-Full Data Set
Fall 2013

Submarket	Overall Average			Bedroom Type												Year Built																	
				Efficiency		One		Two		Three		Four		Pre-1970		1970's		1980's		1990's		2000+											
	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.									
Inside the Box	\$508	\	\$508	\$417	\	\$417	\$597	\	\$597	\$459	\	\$460	\$553	\	\$553	\$629	\	\$629	\$405	\	\$405	\$369	\	\$369	\$480	\	\$480	\$612	\	\$612	\$639	\	\$639
South of 15th	\$347	\	\$341	\$475	\	\$475	\$487	\	\$480	\$305	\	\$298	\$189	\	\$189	n/a	\	n/a	\$274	\	\$274	\$342	\	\$330	\$338	\	\$338	\$403	\	\$403	\$583	\	\$583
East Tuscaloosa	\$394	\	\$394	\$523	\	\$523	\$572	\	\$572	\$362	\	\$362	\$377	\	\$377	n/a	\	n/a	\$321	\	\$321	\$335	\	\$335	\$341	\	\$341	\$420	\	\$420	\$468	\	\$468
South Tuscaloosa	\$389	\	\$386	\$513	\	\$513	\$573	\	\$569	\$359	\	\$357	\$299	\	\$298	\$307	\	\$307	\$428	\	\$428	\$371	\	\$369	\$345	\	\$340	\$399	\	\$398	\$412	\	\$410
North River	\$436	\	\$433	\$540	\	\$540	\$642	\	\$642	\$395	\	\$391	\$345	\	\$345	n/a	\	n/a	n/a	\	n/a	\$384	\	\$384	\$399	\	\$399	\$434	\	\$434	\$550	\	\$538
TRADITIONAL APTS	\$413	\	\$411	\$487	\	\$487	\$579	\	\$577	\$373	\	\$371	\$360	\	\$360	\$544	\	\$544	\$361	\	\$361	\$361	\	\$357	\$379	\	\$378	\$433	\	\$433	\$485	\	\$482
Student "By the Bed"	\$565	\	\$550	\$785	\	\$785	\$859	\	\$842	\$596	\	\$588	\$586	\	\$582	\$531	\	\$515	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	\$445	\	\$433	\$577	\	\$561
ALL APARTMENTS	\$457	\	\$451	\$575	\	\$575	\$599	\	\$595	\$390	\	\$387	\$447	\	\$445	\$531	\	\$516	\$361	\	\$361	\$361	\	\$357	\$379	\	\$378	\$435	\	\$433	\$537	\	\$527
Condos	\$545	\	\$542	n/a	\	n/a	\$750	\	\$750	\$533	\	\$528	\$515	\	\$515	\$388	\	\$388	\$394	\	\$394	\$721	\	\$721	\$400	\	\$400	\$374	\	\$374	\$567	\	\$567
ALL CONVENTIONAL	\$463	\	\$457	\$575	\	\$575	\$606	\	\$603	\$400	\	\$397	\$456	\	\$454	\$529	\	\$514	\$363	\	\$363	\$365	\	\$361	\$379	\	\$378	\$433	\	\$429	\$541	\	\$532
Tax Credit Properties	\$541	\	\$541	n/a	\	n/a	\$401	\	\$401	\$523	\	\$523	\$641	\	\$641	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	\$496	\	\$496	\$566	\	\$566

AVERAGE MONTHLY RENT PER SQUARE FOOT

(Shown as Cents per Square Foot)

Tuscaloosa, Alabama-Partial Data Set
Fall 2013

Submarket	Overall Average			Bedroom Type												Year Built																	
				Efficiency		One		Two		Three		Four		Pre-1970		1970's		1980's		1990's		2000+											
	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.									
Inside the Box	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a
South of 15th	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a
East Tuscaloosa	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a
South Tuscaloosa	72.2	\	71.8	109.7	\	109.7	81.3	\	80.7	69.8	\	69.4	67.7	\	67.4	60.2	\	60.2	68.5	\	68.5	68.9	\	68.5	65.9	\	65.0	68.8	\	68.7	79.1	\	78.7
North River	78.3	\	77.9	126.4	\	126.4	87.4	\	87.4	73.7	\	72.9	75.6	\	75.6	n/a	\	n/a	n/a	\	n/a	70.8	\	70.8	74.7	\	74.7	77.9	\	77.9	90.3	\	88.4
TRADITIONAL APTS	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a
Student "By the Bed"	127.4	\	123.8	185.5	\	185.5	137.7	\	134.9	116.6	\	115.0	122.1	\	121.2	130.9	\	127.0	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	136.6	\	133.0	126.7	\	123.2
ALL APARTMENTS	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a
Condos	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a
ALL CONVENTIONAL	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a
Tax Credit Properties	52.2	\	52.2	n/a	\	n/a	53.5	\	53.5	51.5	\	51.5	52.4	\	52.4	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	51.6	\	51.6	52.5	\	52.5

TUSCALOOSA, AL

RENTAL RATES

Rental Rates

- As can be expected, the highest per unit rents can be found among the student properties which reported an average quoted rent of \$1,678 and an average “effective” rent of \$1,632.
- Condos also command high rents due largely to their superior unit features relative to apartment properties of similar size and age.
- Among Traditional properties, those Inside the Box reported the highest rental rates due mostly to their close proximity to the University of Alabama.
- Properties in the South of 15th submarket exhibited the lowest rental rates among Traditional properties largely to their relative age (94% of the units in the South of 15th submarket are older than 1990).

RENT GROWTH

AVERAGE ANNUAL RENT GROWTH

Tuscaloosa, Alabama- Comparison of "Same Store" Data Set plus New Construction
Fall 2013

Submarket	Overall Average			Bedroom Type												Year Built																	
	Efficiency			One			Two			Three			Four			Pre-1970			1970's			1980's			1990's			2000+					
	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.	Quot-ed	\	Effec.			
Inside the Box	10.2%	\	10.2%	17.9%	\	17.9%	6.1%	\	6.1%	8.6%	\	8.6%	3.6%	\	3.6%	33.6%	\	33.6%	2.2%	\	2.2%	2.7%	\	2.7%	5.6%	\	5.6%	2.9%	\	2.9%	9.4%	\	9.4%
South of 15th	0.8%	\	-1.0%	0.0%	\	0.0%	0.5%	\	-0.7%	1.0%	\	-1.2%	1.2%	\	1.2%	n/a	\	n/a	4.3%	\	5.2%	0.0%	\	-3.9%	1.6%	\	1.8%	0.0%	\	0.0%	0.0%	\	0.0%
East Tuscaloosa	0.2%	\	0.2%	0.6%	\	0.6%	2.1%	\	2.1%	0.3%	\	0.3%	0.4%	\	0.4%	n/a	\	n/a	0.2%	\	0.2%	1.0%	\	1.0%	0.4%	\	0.4%	1.1%	\	1.1%	-1.6%	\	-1.6%
South Tuscaloosa	1.5%	\	0.9%	0.4%	\	0.4%	-0.6%	\	-1.3%	2.1%	\	1.5%	1.4%	\	1.0%	-5.7%	\	-5.7%	0.0%	\	0.0%	2.8%	\	2.2%	0.8%	\	-0.7%	1.6%	\	1.4%	0.7%	\	0.2%
North River	0.9%	\	0.3%	0.0%	\	0.0%	1.7%	\	1.7%	0.6%	\	-0.5%	0.9%	\	0.9%	n/a	\	n/a	n/a	\	n/a	1.0%	\	1.0%	0.1%	\	0.1%	1.8%	\	1.8%	1.5%	\	-0.6%
TRADITIONAL APTS	2.7%	\	2.2%	1.7%	\	1.7%	1.7%	\	1.3%	2.5%	\	1.8%	1.5%	\	1.4%	37.3%	\	37.3%	1.7%	\	1.8%	1.6%	\	0.4%	1.5%	\	1.3%	1.6%	\	1.5%	3.8%	\	3.3%
Student 'By the Bed'	1.4%	\	-1.4%	1.6%	\	1.6%	7.2%	\	5.2%	1.8%	\	0.4%	-0.1%	\	-0.9%	-0.1%	\	-3.2%	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	-17.9%	\	-21.1%	2.8%	\	0.0%
ALL APARTMENTS	4.2%	\	2.9%	1.5%	\	1.5%	2.5%	\	2.0%	2.9%	\	2.2%	1.6%	\	1.2%	0.4%	\	-2.6%	1.7%	\	1.8%	1.6%	\	0.4%	1.5%	\	1.3%	0.2%	\	-0.3%	4.4%	\	2.5%
Tax Credit Properties	1.2%	\	1.2%	n/a	\	n/a	3.2%	\	3.2%	1.1%	\	1.1%	0.6%	\	0.6%	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	n/a	\	n/a	1.6%	\	1.6%	1.0%	\	1.0%

Rent Growth

- All submarkets and age cohorts experienced positive quoted rent growth, with the East Tuscaloosa submarket showing the least change at 0.2% rent growth and the Inside the Box submarket reporting the highest rent growth at 10.2% (due mostly to new construction).
- Interestingly enough the average monthly rent of four bedrooms in the Inside the Box submarket reported the most rent growth (33.6%), although this was largely due to the introduction of Old Row at Cloverdale that exclusively has four bedroom units.
- All but two submarkets (South of 15th and the Student properties) reported positive "effective" rent growth. This is due to an increase in concession usage among properties in both of these sectors.

TUSCALOOSA, AL CONCESSIONS

- In general, both concession usage and the average dollar amount of concession have increased. However, concession usage is still relatively low compared to other markets in Alabama.
- Among Traditional properties, nine more properties were offering concessions as opposed to last year with the average dollar amount of concession up \$17 to \$22 per month as of Fall 2013.

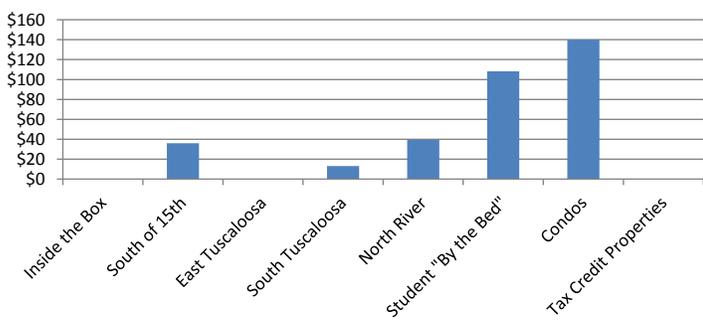
• No Traditional properties Inside the Box or in East Tuscaloosa were reporting offering concessions as of the date of our survey, despite increased construction activity in those submarkets. However, some properties did resort to using rent concession to get their occupancy to the point it was as of the date of our survey.

• Five student properties were offering concessions as opposed to none last year. The average concession amount was \$101 per month (6.0% of gross rent). This is to be expected as older student properties have to offer concessions to keep in competition with newer product. Also, leasing activity was intense which triggered a need for concessions as the student leasing season progressed in order to gain occupancy.

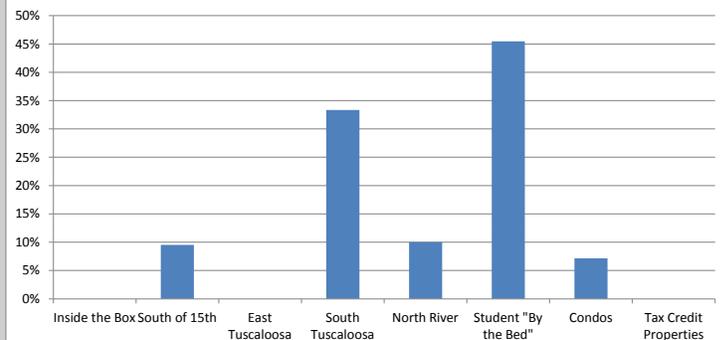
CONCESSION SUMMARY
Tuscaloosa, Alabama
Fall 2013 and Fall 2012 Comparison

Submarket	Fall 2013						Fall 2012					
	Total Properties Surveyed	Properties Offering Specials		Average Concessions		Total Properties Surveyed	Properties Offering Specials		Average Concessions			
		Total	% Total Surveyed	Per Month	As % of Quoted Rent		Total	% Total Surveyed	Per Month	As % of Quoted Rent		
1 Inside the Box	52	0	0%	\$0	0.0%	32	0	0%	\$0	0.0%		
2 South of 15th	21	2	10%	\$36	6.4%	19	3	16%	\$5	1.0%		
3 East Tuscaloosa	28	0	0%	\$0	0.0%	19	0	0%	\$0	0.0%		
4 South Tuscaloosa	24	8	33%	\$13	1.9%	22	0	0%	\$0	0.0%		
5 North River	10	1	10%	\$39	5.2%	10	0	0%	\$0	0.0%		
TRADITIONAL APTS	135	11	8%	\$22	3.1%	102	3	3%	\$5	0.8%		
Student "By the Bed"	11	5	45%	\$101	6.0%	7	0	0%	\$0	0.0%		
ALL APARTMENTS	146	16	11%	\$54	6.0%	109	3	3%	\$5	0.6%		
Condos	14	1	7%	\$140	12.7%	n/a	n/a	n/a	n/a	n/a		
ALL CONVENTIONAL	160	17	11%	\$55	6.7%	n/a	n/a	n/a	n/a	n/a		
Tax Credit Properties	5	0	0%	\$0	0.0%	5	0	0%	\$0	0.0%		

Average Dollar Amount of Concession



Percentage of Properties Offering Concessions



RENTAL HOUSES

The Tuscaloosa market includes a substantial inventory of rental houses with the largest concentration located inside the box catering to the student population. This survey has not attempted to identify the quantity of rental houses in the market, although we have attempted to gather sufficient information from which to determine the general health of the rental housing market in the vicinity of the University of Alabama campus. We have obtained responses from three rental housing owners active in the vicinity of campus, two of which are believed to have the largest rental house portfolio Inside the Box. We have also had conversations with several other owners of significant rental house portfolios who have provided their insight into the health of the Tuscaloosa rental house market. Following are the occupancy results of our rental house survey:

INSIDE THE BOX							
	TOTAL SUPPLY			VACANT		OCCUPANCY RATE	
COMPANY	Houses	Beds	Bedroom Ratio	Houses	Beds	Houses	Beds
Owner 1	90	300	3.3	0	0	100.0%	100.0%
Owner 2	33	88	2.7	3	9	90.9%	89.8%
Owner 3	4	24	6.0	0	0	100.0%	100.0%
Subtotal	127	412	3.2	3	9	97.6%	97.8%
OUTSIDE THE BOX - VARIOUS AREAS							
	TOTAL SUPPLY			VACANT		OCCUPANCY RATE	
	Houses	Beds	Bedroom Ratio	Houses	Beds	Houses	Beds
Owner 1	15	55	3.7	0	0	100.0%	100.0%
Owner 2	87	263	3.0	12	27	86.2%	89.7%
Subtotal	102	318	3.1	12	27	88.2%	91.5%
TOTAL MARKET - ALL AREAS							
	TOTAL SUPPLY			VACANT		OCCUPANCY RATE	
	Houses	Beds	Bedroom Ratio	Houses	Beds	Houses	Beds
TOTAL	229	730	3.2	15	36	93.4%	95.1%

Conclusions drawn from our survey are as follows:

1. The rental house market "Inside the Box" is currently very healthy, although the occupancy rate is believed to be slightly lower than has been evident in previous years.
2. The newer rental houses with modern amenities and features appear to have been well received and appear to have a higher occupancy rate than the older product.
3. Data provided by Steven Rumsey, one of the most active rental house owners Inside the Box, indicates a total of over 900 beds of new construction rental housing stock have been added to the market in recent years (no specific time period indicated).
4. The occupancy rate of rental housing Inside the Box is generally higher in rental housing in other areas Tuscaloosa, although most sources reported a strong market for rental houses throughout Tuscaloosa.
5. The rental house market does not seem to be as significantly affected by the newest student housing communities as is the apartment properties.
6. Given the success of the large high-density rental houses Inside the Box, it appears likely that the trend of "tear downs" of older, lower density product will continue which will likely result in additional pressure on the older apartment product near campus to renovate in order to stay competitive.

TAX CREDIT PROPERTIES

LOW INCOME HOUSING TAX CREDIT PROPERTIES Tuscaloosa Area Fall 2013

Submarket	Property Name	Year Built	Total Units
<i>Properties Included in ROCK Survey</i>			
South Tuscaloosa	Hallmark @ Garden Parkway	2008	92
South Tuscaloosa	Winding Creek	1998	80
South Tuscaloosa	Pine Cone (senior 55+)	1998	48
North River	Grandview	2003	70
North River	Hampton Point	2002	60
<i>Subtotal</i>			350
<i>Properties Identified - Not Included in ROCK Survey</i>			
South Tuscaloosa	Chestnut Trace, II	2010	116
South Tuscaloosa	Chestnut Trace, I	2008	96
East Tuscaloosa	The Wright Apartments	1990's	20
South Tuscaloosa	Tuscaloosa South	1990's	22
South of 15th	Dakota	1993	40
North River	Crestmont Villas	1990's	22
Inside the Box	John England Manor	1989	38
South Tuscaloosa	Greenwood Park Homes	2007	52
<i>Subtotal</i>			406
TOTAL			756

Based on comparison of the same properties surveyed in 2012 and 2013.

SURVEY METHODOLOGY

CRITERIA FOR INCLUSION

The apartment unit supply data provided herein is intended to reflect the total supply of properties meeting the following criteria:

*Conventional properties with 60 or more units
Predominantly unfurnished apartments*

Properties excluded from the unit supply figures include:

*Predominantly furnished apartments
Tax credit, government assisted and/or retirement
apartments
Extended-stay apartments
Conventional properties which do not consist of at least
60 units under single management at one property
location
Properties where the management was unwilling or
unable to supply the minimum data*

Occupancy and rental rate data is based on data obtained from “participating” apartment properties. Approximately 95% of properties meeting the previously discussed criteria participated in the survey. A list of participating properties can be found on page 14.

CONCESSIONS AND EFFECTIVE RENT CALCULATIONS

Data regarding any concessions offered by a property reflect the concessions/specials available as of the survey date. Any concession or special that would have a direct impact on rental rates was deducted from the “face” rental rate for each units affected resulting in an “effective” rental rate. Also, deductions were made for the cost/value of such promotional items such as club memberships, etc. Concessions not deducted from the “face” rental rates include: reductions in security deposits, reductions in application fees, and/or referral fees to residents.

When concessions were only available for selected lease terms and not others, an average deduction was calculated. Example: Suppose a concession equal to one (1) month free rent on a 12-month lease term was offered for a \$350/month unit. Also, a six-month lease term is available for the same unit with no concession. The calculated deduction applied is equal to \$14.58/month representing the average of a \$0.00/month concession for a six-month lease and a \$29.17/month deduction for a 12-month lease. Alternatively, management is consulted regarding the usage frequency of the various terms to obtain a weighted average.

When concessions were randomly determined by on-site management or other methods, as in the case of a “coupon tree,” the deduction applied is reflective of on-site management’s assessment of the “average” deduction that has been given to residents.

The “effective” rental rates for a property’s units are intended to reflect the rental rates available to the typical person seeking an apartment as of the survey date (i.e. the achievable market rental rates).

DEFINITIONS

Absorption

The net difference in physically occupied units from one period to another. Absorption is a key measure of apartment demand and can be positive or negative.

Submarket

A geographic area that generally contains properties that compete for residents within a similar area

Vacancy

A reflection of the number of units physically vacant as of the survey date, often expressed as a percent

Occupancy

A reflection of the number of units physically occupied (not vacant) as of the survey date, often expressed as a percent

ACCURACY OF INFORMATION

The information contained within this report is based on data provided by property managers and/or property owners. Secondary data sources were only employed to confirm the year built of specific properties. All survey respondents were assured occupancy data provided would be kept strictly confidential. Furthermore, the importance of providing accurate information was stressed to all survey participants, via verbal and written communication. Despite efforts to insure that accurate information was collected, no guarantee is made or implied regarding the accuracy of occupancy and rental rate information presented herein, as such information is based on data collected from others over which we have no control. A margin of error of approximately +/- 2% is believed applicable to the occupancy and rental data herein.

RESEARCH TEAM

ACKNOWLEDGEMENTS

We would like to thank all of the property owners, management company staff, managers and leasing staff that contributed to this study by providing information regarding the properties under their care and control. Without their help, this report would not be possible. We would also like to thank the numerous persons we contacted and interviewed to gain a thorough understanding of the Tuscaloosa area economy and trends.

We would also like to thank these ACRE interns for their contribution:

Brock Hudson, a native of Houston, Texas, will graduate from the University of Alabama's Culverhouse College of Commerce in December. Brock is a finance major specializing in real estate.

Robby Waldrop, a native of Northport, Alabama, will graduate next May from the University of Alabama's Culverhouse College of Commerce. Robby is a business management major specializing in real estate. Robby was also recently recognized as the "national student of the year" by the Institute of Real Estate Management (IREM).



Brock Hudson



Robby Waldrop

RESEARCH



Tuscaloosa Residential Real Estate

Short-term Impact & Analysis of April 27th Disaster



EDUCATION

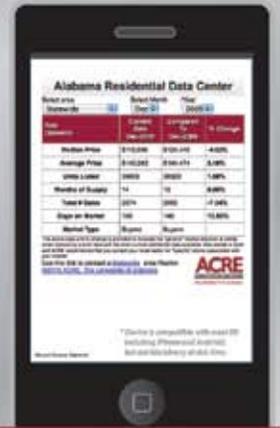


OUTREACH

WELCOME HUNTSVILLE REAL ESTATE!



MULTIMEDIA



Alabama's Real Estate Resource!

ABOUT ACRE

"ACRE's core purpose is to advance the real estate industry in Alabama by providing relevant resources in the areas of research, education and outreach. The Center, founded in 1996 by the Alabama Association of REALTORS, the Alabama Real Estate Commission and the University of Alabama's Culverhouse College of Commerce, also acts as an industry liaison for the benefit of business school students pursuing a career in real estate. The relationship between the Center and our industry stakeholders is one of the Center's greatest strengths. Alabama companies and individuals partner with the Center bringing a wealth of knowledge & real world experiences, becoming an extension of the Center, a network through which our resources to the statewide real estate community are enhanced and enriched."

Grayson Glaze
JD, CPM, CCIM /Executive Director



RESEARCH



ACRE Research collects and analyzes the state's real estate statistics providing reports that identify the latest market trends and forecasts. Some examples of our current work product include:

- ☑ ACRE WiRE (Week in Real Estate) Digital Publication
- ☑ Statewide & Local Residential Monthly Reports (20)
- ☑ Alabama New Construction Monthly Report
- ☑ Alabama Housing Affordability Index Quarterly Report
- ☑ Alabama Real Estate Confidence Index Quarterly Report
- ☑ Alabama Residential Forecast Models
- ☑ Fee-Based Research Projects
(ex: Tusc. Housing Needs Analysis)

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ROCK is widely recognized throughout the mid-south as a leader in apartment market intelligence. ROCK produces annual apartment market survey publications for most of Alabama's major markets (Birmingham, Huntsville, Mobile, Montgomery and Tuscaloosa), as well as for Chattanooga, TN, Florida's Emerald Coast and Tallahassee, FL. Huntsville's survey traces its history back over 17 years, with Birmingham's survey at 12 years. These market surveys provide in-depth data and analysis for these apartment markets based on ROCK's primary field research of conventional apartment properties with 60 or more units, as well as low income housing tax credit properties for several of the markets. Besides the reports focusing on all classes of property (A, B and C), one of the unique features and strengths of the ROCK Reports is their analysis and inventory of new construction product including properties that are actively under construction, as well as properties that are known to be in due diligence or the planning stage. ROCK's data for new construction is the only place where you'll find such information all in one publication. These reports are all available for purchase and download from the ROCK website www.rockadvisors.com.

Annual Market Surveys

Huntsville	18 years (1995)
Birmingham	13 years (1999)
Montgomery	7 years (2007)
Mobile	7 years (2007)
Chattanooga, TN	6 years (2008)
Tallahassee, FL	6 years (2008)
FL Emerald Coast	5 years (2009)
Tuscaloosa	5 years (2009)



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APPENDIX

TUSCALOOSA, AL

HISTORICAL PERSPECTIVE

The Tuscaloosa apartment market had been very stable through the 1990's and early 2000's with average occupancy rates typically in the 93% to 96% range. The substantial new deliveries that began in 2005 (apartments, condos and university resident halls) and the mandate that all first-time freshman live on-campus that went into effect Fall 2006 had a dramatic negative effect on the Tuscaloosa rental market. With over 2,782 apartment units added between 2006 and 2009, as well as 883 new condominiums during the same time frame and 4,226 new beds on-campus added since 2005, absorption was simply not able to keep up with the biggest losers being the traditional apartments. As a result of the substantial decline in occupancy among traditional apartments, mostly since early 2008, concession usage became widespread in 2008 and 2009. Meanwhile, the new student properties were being well received and the historic growth of the University of Alabama enrollment had prompted developers to continue to construct new student properties with 1,704 new off-campus student beds added between Fall 2008 and Fall 2010, plus 960 on-campus beds in the Ridgcrest North and South residence halls. By Fall 2010, the Tuscaloosa apartment market had rebounded.

The EF-4 tornado that ripped across Tuscaloosa in April 2011 a few blocks south of the University of Alabama campus destroyed substantial amounts of housing, most of which was rental housing. A few highlights from a Housing Needs Analysis completed in February 2012 by ACRE, Market Graphics Southeast and Zanola Company, LLC regarding the damage from the tornado and storm event are as follows:

- 5,144 housing units were directly impacted by the storm (mostly renter-occupied)
- 731 apartment units (1,190 beds) in 10 apartment properties were completely destroyed by the storm
- 233 apartment units (362 beds) in nine apartment properties were heavily damaged by the storm
- The majority of the apartment housing destroyed or heavily damaged by the storm were older properties (pre 1980's) with most serving low to moderate income renters with some being public housing and some government-assisted housing. The largest apartments destroyed were the 152-unit Charleston Oaks Apartments, a conventional property built in the 1960's, the 158-unit Graceland Apartments (circa 1970's), and the 188-unit Rosedale Apartments, a 1950's era public housing complex.

The Rosedale public housing community was already proposed for redevelopment. In the aftermath of the tornado, the Tuscaloosa Planning Department began a process of modifying the Zoning Ordinance to create several new zoning districts intended to promote "cottage-style" housing in the Storm Impact Area and other areas and limit the number of large student-oriented apartment developments. That is, the city had a desire to move away from the project formats such as The Retreat at Lake Tamaha, Sterling Crimson, The Woodlands of Tuscaloosa, and University Village that result in 700+ beds placed within a single development in a high-density design. Instead, more low density developments were to be encouraged with the potential for high-density developments, but with a smaller total yield of units.

The 2011 tornado created vast areas of open land that were previously unavailable for immediate development, with significant open areas proximate to the university campus. Several smaller format apartment properties have since been constructed within the Storm Impact Area and development in Tuscaloosa's downtown area has become active.

The devastation that occurred in the area east of McFarland Boulevard and north of University Boulevard has opened this "close-to-campus" area for substantial re-development, with a recent example including the 1,224-bed The Lofts at City Center student housing property whose first phase was delivered in Fall 2013. While this area had been heavily developed with mostly mature and older structures, and was not viewed by conventional apartment developers as an area that would be viable for new upscale apartment development, this area now has the potential to attract private capital willing to help transform the character of this area which could result in it being a viable area for future conventional apartment development.

TORNADO IMPACT

On April 27, 2011, an EF-4 long-track tornado ripped through the heavily-populated area of central Tuscaloosa from I-369 on its western edge creating a six-mile path of destruction up to ½ miles wide through heavily populated areas and ending near the Tuscaloosa County line on the east. The majority of the neighborhoods in the path (Storm Impact Area) were constructed in the 1950's, 1960's and 1970's consisting of single-family homes, low-rise garden apartments and units targeting the market's demand for off-campus housing. In fact, the majority of the destruction affected renter-occupied housing and housing occupied by residents below Tuscaloosa's median household income. The path also followed and destroyed significant portions of the commercial corridor of 15th Street, University Boulevard and McFarland Boulevard, each of which are heavily developed corridors featuring a mix of mature retail, restaurant, medical and service businesses. Below is a map of the Storm Impact Area.

The tornado devastated neighborhoods and businesses with some of the hardest hit areas being within a few blocks of the University of Alabama and some of the most densely developed commercial areas of Tuscaloosa. The tornado passed directly between the DCH Hospital and MidTown Village retail development and University Mall with minimal to no damage to these structures, but catastrophic damage to most of the area in between. As a result of this massive destruction, the City of Tuscaloosa implemented "Tuscaloosa Forward," a strategic community plan to renew and rebuild. Significant changes to the zoning ordinance were made, with a focus on requiring future apartment construction to smaller project sizes and imposing restrictions on density and beds per unit. One of the goals was to limit the number of high-density student apartment communities. While most of the debris in the Storm Impact Area had been cleared and removed as of Spring 2012, rebuilding had only begun on a limited scale as of early-2012.



TUSCALOOSA, AL

ECONOMIC OVERVIEW

Tuscaloosa County has been among the strongest counties in Alabama in terms of population and employment growth for an extended period of time. While the national recession resulted in a decline in employment in 2008 and 2009, employment rebounded in 2010 with almost 3,500 new jobs created followed by 831 new jobs in 2011. The April 2011 tornado event caused major damage to much of the inner core area of the city and prompted substantial new planning and redevelopment activity. The rebuilding effort is still underway and has resulted in significant employment of those involved in the redesign and rebuilding efforts. While it will take years to absorb the vacant land created by the tornado, this process will result in a sustained demand for new development activity, construction jobs and new retail/commercial employment as new businesses and facilities and residences are constructed. Meanwhile, other segments of the economy also remain healthy and exhibit growth. Following are some comments regarding key employers and market segments that contribute to the areas growth and vitality.

Mercedes-Benz

Mercedes-Benz announced in August 2012 that it will be doubling the size of its investment at its Tuscaloosa County plant bringing the total investment to \$4 Billion. This is the second largest capital investment announcement in the State's history and will bring the total number of workers employed at the plant to over 4,000. The plant currently employs approximately 2,800 people and manufactures the GL-Class SUV, the newly re-designed M class and other luxury vehicles. Sales of Mercedes luxury SUV's are up by 26% over the last 12 months which is catalyzing the growth of the plant. A fifth model is soon to be added to the plants assembly line and in August 2013, the plant announced its plan to invest an additional \$2 Billion to produce the new M-Class, adding 1,400 employees over the next few years. This investment will double the size of Mercedes current investment at the Tuscaloosa County plant bringing it to approximately \$4 Billion. This is the second largest capital investment announcement in the State of Alabama's history, only behind ThyssenKrupp's \$3.7 Billion steel manufacturing plant in Mobile.

Energy

In May 2012, Walter Energy announced that it will build a new \$1.2 Billion coal mine in Tuscaloosa County. The coal mine is expected to take roughly five to six years to build and will employ 530 high wage jobs at full capacity and thousands of construction jobs during the building process. The mine is expected to produce about 3 million tons of metallurgical coal annually, a low-sulfur coal that is highly valued in the steel-making industry. Walter Energy currently has approximately 4,400 employees with more than 2,100 of those workers in Alabama.

Medical

Tuscaloosa has a thriving medical community with major medical centers serving the entire West Alabama Region. The city is home to the fifth largest hospital in the state, DCH Regional Medical Center, as well as Bryce Hospital and the Veteran's Affairs Medical Center.

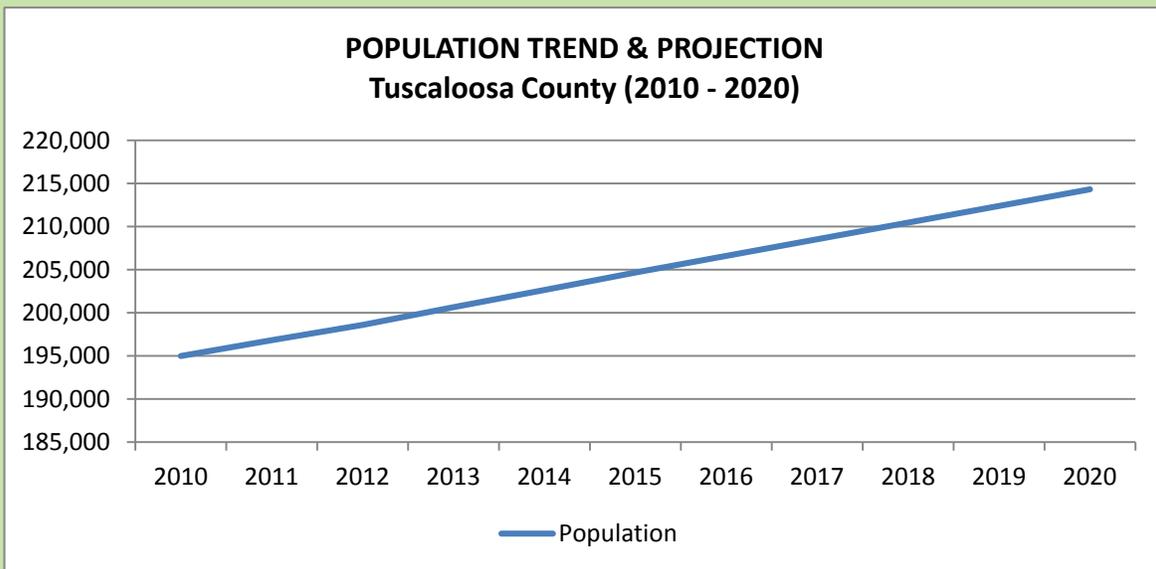
Manufacturing

Tuscaloosa has an extremely diverse manufacturing base including automotive, electronics, steel, wood products, chemical industries, and more. International exports are made to over 150 countries and the attractive business climate has drawn investment from Germany, France, Japan, Italy, United Kingdom and Canada.

Mercedes-Benz is not the only economic driver in the manufacturing industry in Tuscaloosa. Approximately 16% of the non-agricultural workforce is in the manufacturing industry in Tuscaloosa. Major manufacturers by number of employees are Mercedes-Benz U.S. International, B.F Goodrich, Phifer Wire Products, Westervelt Company, NUCOR Steel Tuscaloosa, Johnson Controls, and Syncreon, just to name a few.

TUSCALOOSA, AL

POPULATION



Population Estimates & Projections
Tuscaloosa, Alabama
Fall 2013

Geography	Census April 1, 2010	Estimates			CBER Projections			
		July 1, 2010	Jul 1, 2011	July 1, 2012	2013	2014	2015	2020
Tuscaloosa City	90,468	91,091	92,162	93,357				
Northport City	23,330	23,442	23,741	24,088				
Subtotal - Cities	113,798	114,533	115,903	117,445				
Inferred Subtotal - Out of City	80,858	80,436	80,915	81,151				
Tuscaloosa County	194,656	194,969	196,818	198,596	200,657	202,656	204,654	214,336
County Population Growth - Annual		n/a	1,849	1,778	2,061	1,999	1,998	1,936

Sources: U.S. Census Bureau & Center for Business and Economic Research, The University of Alabama.

TUSCALOOSA, AL DEMOGRAPHICS

Graph A

The population in Tuscaloosa is estimated to change from 192,038 to 223,646, resulting in an increase of 16.5% between 2000 and the current year. Over the next five years, the population is projected to grow by 4.7%. The population in the United States is estimated to change from 281,399,034 to 314,419,291, resulting in a growth of 11.7% between 2000 and the current year. Over the next 5 years, the population is projected to grow by 4.5%.

Graph B

The average Tuscaloosa household income is estimated to be \$56,329 for the current year, while the average household income for the United States is estimated to be \$70,968 for the same time frame. The average household income in Tuscaloosa is projected to increase 5.4% over the next five years, from \$56,329 to \$59,376. The United States is projected to have a 4.8% increase in average household income. The current year estimated per capita income for this area is \$22,601, compared to an estimate of \$27,068 for the United States as a whole.

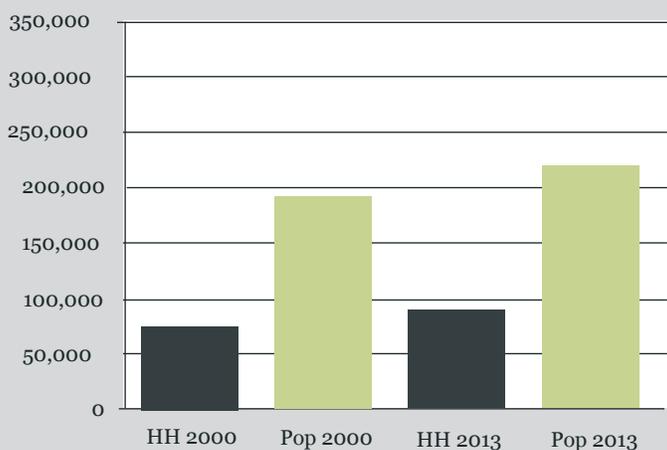
TUSCALOOSA MSA 2013

POPULATION	223,646
EMPLOYMENT	90,297
TOTAL HOUSEHOLDS	87,917
AVERAGE HOUSEHOLD INCOME	56,329
% GROWTH (2012-2013)	2.0%
POPULATION DENSITY (PER SQ. MI)	84 (2013 PROJECTION)
UNEMPLOYMENT RATE (JULY 2013)	6.9%

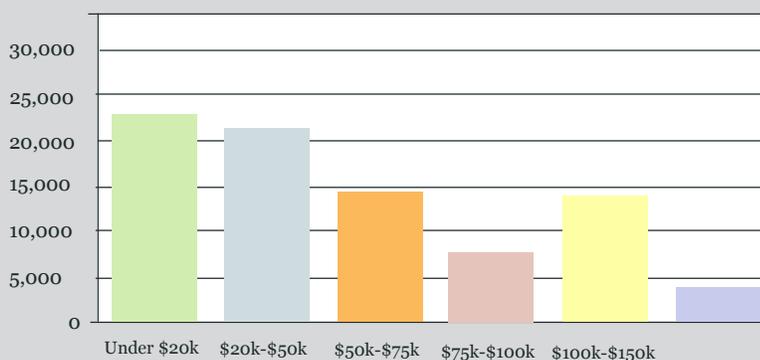
TOP EMPLOYERS

The University of Alabama
DCH Regional Medical Center
Mercedes-Benz U.S. International
Jim Walter Resources
Tuscaloosa County Board of Education
BF Goodrich Tire Manufacturing
Tuscaloosa City Board of Education
City of Tuscaloosa
Phifer Wire Products
Veterans Administration Hospital

A. Households and Population



B. Average Household Income



Total Population by Age

	Number	Percent
Age 0-4	13,386	5.99%
Age 5-14	26,402	11.81%
Age 15-19	19,622	8.77%
Age 20-24	27,907	12.48%
Age 25-34	31,586	14.12%
Age 35-44	25,458	11.38%
Age 45-54	26,775	11.97%
Age 55-64	25,717	11.50%
Age 65-74	14,759	6.60%
Age 75+	12,034	5.38%
Total	223,646	100%

