

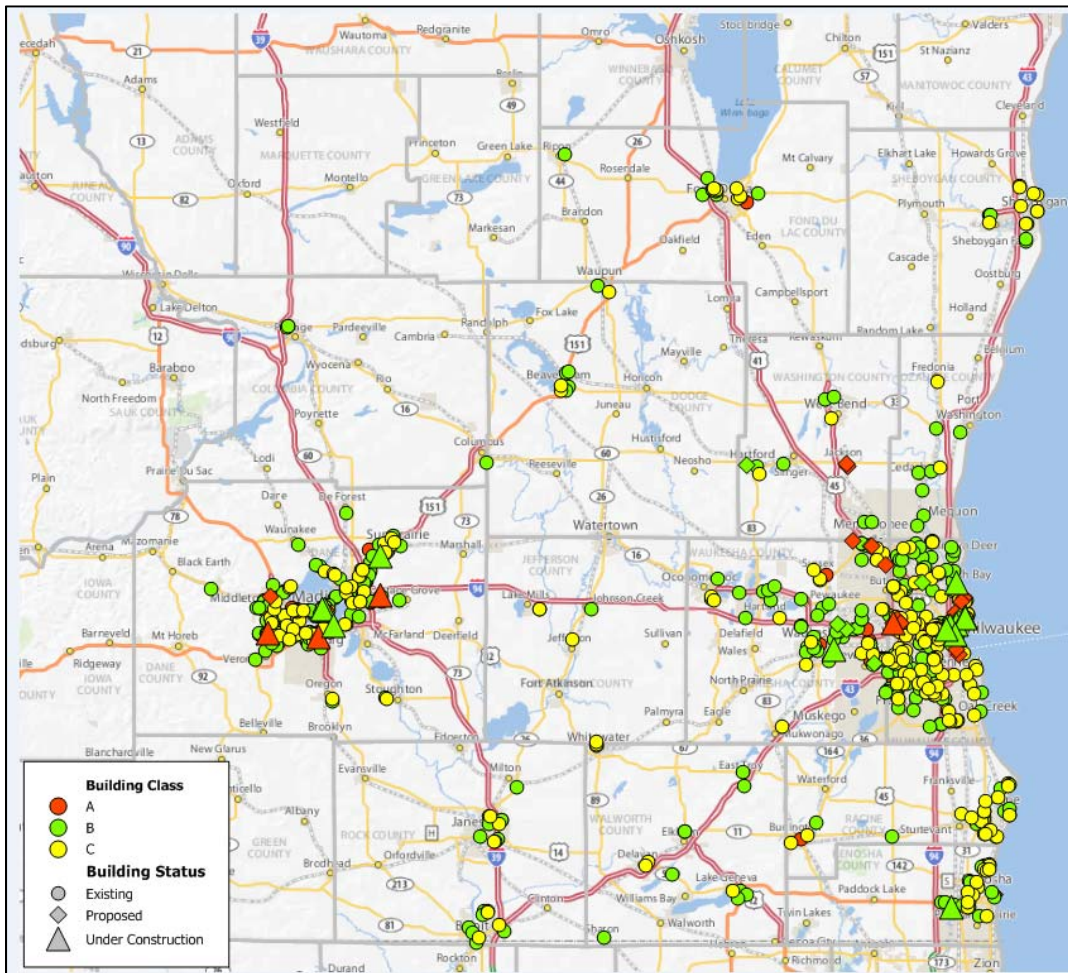
**SOUTHERN WISCONSIN APARTMENT MARKET: 50+ UNITS**

**INVENTORY AND CONSTRUCTION ACTIVITY**

Southern Wisconsin contains approximately 4,200 apartment properties, encompassing almost 157,000 units. Just over 840 properties contain 50+ units and encompass over 110,000 units. Of this total, only approximately 7,500 units are considered Class A apartments. As of the end of the 2<sup>nd</sup> quarter of 2014, there were over 2,800 units under construction with another 4,172 units proposed among properties with 50+ units.

**VACANCY AND RENT GROWTH**

The average vacancy rate for all properties with 50+ units was 2.40% at the end of the 2<sup>nd</sup> quarter 2014, a 10 basis point increase from the 2<sup>nd</sup> quarter 2013 vacancy rate. Though the annual four year trend has been a declining vacancy rate, the vacancy has remained constant since the 4<sup>th</sup> quarter of 2013. Across the entire region, the average change in asking rent had remained below 2% between the 2<sup>nd</sup> quarter of 2013 and the 2<sup>nd</sup> quarter of 2014, though rents are growing more rapidly in some parts of the region.



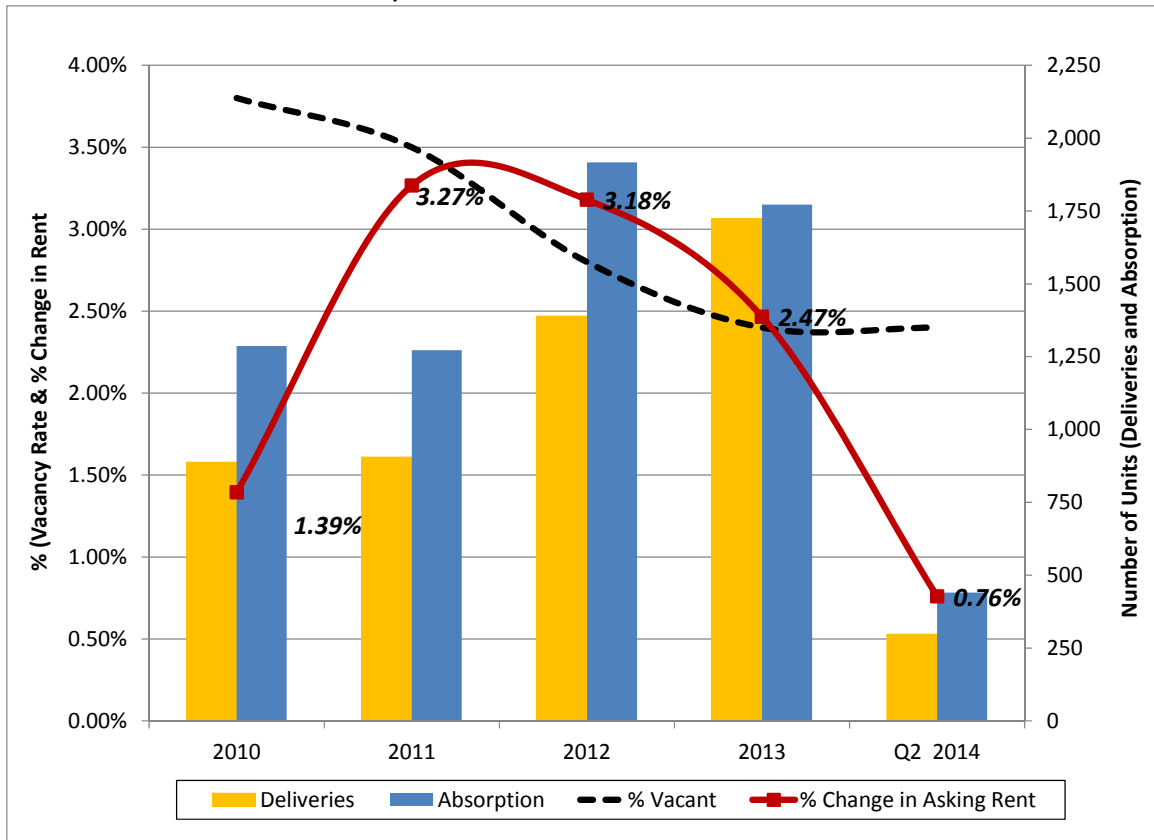
Sources: CoStar Group and Real Estate Counselors International, Inc.

**ALL APARTMENT PROPERTIES AND PROPERTIES WITH 50+ UNITS – COMPARISON OF Q2 2013 AND Q2 2014**

	Southern Wisconsin - All Properties	Southern Wisconsin - Properties with 50+ Units
Number of Properties with 50 + units	4,206	845
Total Units with Properties of 50 + units	156,814	110,088
Apartment Vacancy Rate, Q2 2014	2.80%	2.40%
Apartment Vacancy Rate, Q2 2013	2.70%	2.30%
Basis Point Change in Vacancy Q2 2013 -Q2 2014	10.00	10.00
Apartment Asking Rent Q2 2014	\$906	\$934
Apartment Asking Rent Q2 2013	\$890	\$919
% Change in Asking Rent Q2 2013 - Q2 2014	1.77%	1.64%
Unit Deliveries, Q2 2013 - Q2 2014	1,562	1,296
Rent Concessions, % of Asking Rent	1.40%	1.10%

Sources: CoStar Group and Real Estate Counselors International, Inc.

**THE REGION’S RECENT DECLINE IN VACANCY SEEMS TO HAVE COME TO A VIRTUAL HALT; RENT GROWTH HAS SLOWED, BASED ON THE AVERAGE RENT REPORTED MID-YEAR 2014.**



Sources: CoStar Group and Real Estate Counselors International, Inc.

**DEMAND/SUPPLY STATISTICS FOR SELECTED COUNTY APARTMENT MARKETS**

In most of the counties shown below, the vacancy rate has continued to decline since the 2<sup>nd</sup> quarter 2013. However, in two of the three counties with the largest inventory (Milwaukee County and Waukesha County), the vacancy rate has stayed flat or increased slightly. Still, vacancy rates remain at historic lows.

Rental rate growth has been strongest among properties located in Dane County.

**SNAPSHOT OF COUNTY APARTMENT MARKETS IN SELECTED COUNTIES IN SOUTHERN WISCONSIN: PROPERTIES WITH 50+ UNITS**

	Milwaukee County	Dane County	Waukesha County	Kenosha County	Rock County	Fond Du Lac County	Sheboygan County
<b>Number of Properties with 50 + units</b>	358	225	84	44	26	19	17
<b>Total Units in Properties of 50 + units</b>	48,900	30,955	12,386	5,969	2,385	2,195	2,133
<b>Apartment Vacancy Rate, Q2 2014</b>	2.70%	1.60%	2.60%	1.60%	2.40%	1.70%	2.70%
<b>Apartment Vacancy Rate, Q2 2013</b>	2.70%	1.70%	1.70%	2.90%	3.10%	2.10%	3.00%
<b>Basis Point Change in Vacancy Q2 2013 -Q2 2014</b>	0.00	-10.00	90.00	-130.00	-70.00	-40.00	-30.00
<b>Apartment Asking Rent Q2 2014</b>	\$947	\$999	\$974	\$806	\$702	\$680	\$645
<b>Apartment Asking Rent Q2 2013</b>	\$940	\$963	\$969	\$790	\$689	\$679	\$634
<b>% Change in Asking Rent Q2 2013 - Q2 2014</b>	0.78%	3.66%	0.55%	1.96%	1.91%	0.16%	1.70%
<b>Unit Deliveries, Q2 2013 - Q2 2014</b>	384	667	195	0	50	0	0

Sources: CoStar Group and Real Estate Counselors International, Inc.

**UNITS UNDER CONSTRUCTION AT THE END OF THE 2<sup>ND</sup> QUARTER 2014**

RECI surveyed properties under construction accounting for over 1,500 units in the Madison MSA and over 1,300 units in the Milwaukee MSA. The table on the following page presents pertinent details on each of these properties, including delivery dates.

ESTIMATED COMPLETION DATES & LEASING STATUS OF APARTMENT PROPERTIES UNDER CONSTRUCTION IN THE MADISON & MILWAUKEE MSAs

#	Property Name	Address	City	Developer/ Management Co.	Construction Style/Market Segment	Number of Units	Month/Year Begin/ Began Leasing	Month/Year Anticipated for Construction to be Completed
<b>MILWAUKEE WI MSA</b>								
1	252 MIAD Student Apts	252 E Menomonee St	Milwaukee	MIAD Student Apartments	Mid-rise/ Student Housing	85	March-14	August-14
2	Hillside Estates	1802 E Sauk Rd	Grafton	Premier Real Estate Management	Garden	60	January-14	August-14
3	The IVY on Fourteenth	1400 W Wells St	Milwaukee	Ivy on Fourteenth	Mid-rise/ Student Housing	80	September-13	August-14
4	Broadway Commons	1901 E Broadway St	Waukesha	Morgansen Realty Co.	Garden	224	June-14	August-14
5	The Standard of East Library	1910 E North Ave	Milwaukee	HSIP Properties	Mid-rise	99	April-14	August-14
6	Sutter Creek	1300 S Barker Road	Brookfield	Ogden & Co.	Mid-rise	171	May-14	October-14
7	Avenir	1477 N Jefferson St	Milwaukee	Wanguard Apartments	Mid-rise	104	September-14	October-14
8	Prospect Mall Apts	2217 N Prospect Ave	Milwaukee	Joseph Property Development	Mid-rise	50	N.A.	October-14
9	City Center at Deer Creek	14955 W National Ave	New Berlin	Oak Brook Corporation	Garden/Affordable	75	N.A.	November-14
10	1600 Tosa	1400 N 113 St	Wauwatosa	ToIdt Development	Mid-rise	102	November-14	February-15
11	Beaumont Place	301E Beaumont Ave	Whitefish Bay	Mandel Group, Inc.	Mid-rise	103	NA	May-15
12	Paper Box Lofts	1560 W Pierce St	Milwaukee	Sherman Associates	Mid-rise/Affordable	72	August-14	December-14
13	Frederick Lofts	840 W Juneau Ave	Milwaukee	Gorman & Co.	Mid-rise	90	January-15	July-15
<b>SUBTOTAL</b>						<b>1,315</b>		
<b>MADISON WI MSA</b>								
1	The Landing on East Hill Parkway	252 E Hill Pky	Madison	N/A	Low-rise	50	May-14	July-14
2	Park Place	212-222 N Bassett 510-520 W Dayton St	Madison	Boardwalk Investments	Mid-rise	71	November-13	July-14
3	Domain	409 W Johnson St	Madison	Potter Lawson Inc.	Mid-rise	85	March-14	August-14
4	The Vue	1300 Post Rd	Fitchburg	Fiduciary Real Estate Development	Low-rise	200	April-14	August-14
5	Waldorf Midtown	1723 Waldorf Blvd	Madison	Forward Management	Mid-rise	80	April-14	August-14
6	The Revere at Smith's Crossing	1314 O'Keeffe Ave	Sun Prairie	Forward Management	Garden	120	June-14	November-14
7	Domain	409 W Johnson St	Madison	Potter Lawson Inc.	Mid-rise	240	to-be-announced	April-15
8	Ovation Apts.	309 W Johnson St	Madison	Hovde Properties/ Siegel Gallagher	Mid-rise	250	May-14	June-15
9	Watermark Lofts	900 John Nolen Dr	Madison	T. Wall Enterprises	Mid-rise	120	September-14	June-15
10	The Hub at Madison	555 State St	Madison	LG Development Group	Mid-rise	329	N.A.	August-15
<b>SUBTOTAL</b>						<b>1,545</b>		

Source: Real Estate Counselors International, Inc., Field Survey July 2014

Note: N.A. = Not Available.



SOUTHERN WISCONSIN METROPOLITAN ECONOMIES – A SUMMARY

	Milwaukee WI MSA	Lake County IL/ Kenosha County WI MSA	Madison WI MSA	Janesville WI MSA	Sheboygan WI MSA	Fond Du Lac WI MSA
<b>Total Jobs Q4 2013</b>	843,260	414,090	370,570	66,600	61,170	49,480
<b>Compounded Annual Average Job Change 2007 -2009</b>	-3.07%	-4.10%	-0.80%	-6.40%	-4.49%	-4.66%
<b>Compounded Annual Average Job Change 2009-2013</b>	0.92%	1.03%	1.18%	1.25%	0.26%	1.36%
<b>Forecast Compounded Annual Average Job Change 2013-2018</b>	1.25%	1.24%	1.73%	1.91%	1.21%	1.04%
<b>Industries with High Location Quotients</b>	Manufacturing (169) Other Services (132) Financial Activities (119) Education & Health Services (119)	Wholesale Trade (167) Manufacturing (159) Professional & Business Services (129) Retail Trade (111)	Information (168) Financial Activities (145) Government (144) Other Services (124)	Manufacturing (162) Wholesale Trade (161) Transportation & Utilities (124)	Manufacturing (3.67) Other Services (1.14)	Manufacturing (2.45) Other Services (1.25) Construction (1.10) Retail Trade (1.05)
<b>Industries Exhibiting Growth</b>	1. Education & Health Services 2. Professional & Business Services 3. Leisure & Hospitality	1. Professional & Business Services 2. Education & Health Services 3. Leisure & Hospitality 4. Financial Activities	1. Professional & Business Services 2. Transportation & Utilities 3. Education & Health Services 4. Government	1. Wholesale Trade 2. Transportation & Utilities 3. Education & Health Services 4. Professional & Business Services	1. Professional & Business Services 2. Wholesale Trade	1. Professional & Business Services 2. Leisure & Hospitality 3. Education & Health Services 4. Manufacturing
<b>Economy's Strengths</b>	1. Above average per capita income due to large share of college-educated workers. 2. High concentration of stable education/ healthcare employment. 3. Low cost of doing business relative to Chicago MSA.	1. Higher per capita income and well-educated workforce. 2. Proximity to large Milwaukee and Chicago economies. 3. Strengthening population growth.	1. University provides stable employment & national research hub. 2. Stable & growing tech cluster. 3. High per capita income, a result of well-educated workforce. 4. consistent in-migration spurs growth, especially in consumer based industries.	1. Below average cost of living and business costs, especially with regard to office rents. 2. Long-term stability from education/ healthcare sector for an economy dependent on manufacturing.	1. Favorable cost of living-to-income ratio. 2. Proximity to Lake Michigan contributes to tourism industry. 3. Strong internal link between agriculture and manufacturing of food products	1. Relatively low housing costs contributes below-average living costs. 2. Counter cyclical machinery and equipment manufacturers.
<b>Economy's Weaknesses</b>	1. High exposure to old line manufacturers. 2. Weak migration trends limit growth in consumer spending.	1. Reliant on a few firms with a large presence in economy. 2. Housing market burdened by high level of foreclosures. 3. Worsening business cost differential with neighboring Chicago.	1. Moderate exposure to old line manufacturers.	1. Below average per capita income. 2. High exposure to volatile durable goods manufacturing. 3. Weak population growth.	1. Heavy dependence on declining and volatile manufacturing sector. 2. Weak demographic trends as younger households migrate to larger urban economies.	1. Low industrial diversity/heavy dependence on manufacturing. 2. Relatively low level of educational attainment. 3. Below-average per capita income.

Sources: Moody's Analytics and Real Estate Counselors International, Inc.

Real Estate Counselors International Inc. (RECI) is an independently owned, commercial real estate valuation and consulting company headquartered in Chicago, Illinois. With roots to 1935, we have earned the reputation as a full-service firm known for our ability to perform high level, complex projects. Apartment analysis is one of our specialties and includes appraisals, market feasibility studies and acquisitions due diligence.

**LOCATION OF APARTMENT ENGAGEMENTS PERFORMED BY RECI – 2010 THROUGH 2013**



We have long-term relationships with major corporations, financial institutions, health care providers, developers, government agencies, and other public and private concerns. Our appraisers and counselors have been awarded MAI and CRE designations and are regarded as ethical and trusted professionals. Among our specialties are:

- Property Appraisals
- Acquisition Due Diligence
- Disposition Pricing
- Forensic Due Diligence/Evaluations
- Portfolio Valuations
- Litigation Support/Dispute Resolution
- Market Feasibility Analysis

For more information, please contact: **Thomas Amato, CRE at 312.332.4000 X101 or Benjamin Slagter at 312.332.4000 X107.**

