DENVER

QUICK FACTS

POPULATION GROWTH	
2,842,154	▲ 1.5%

EMPLOYMENT GROWTH	
1,192,100	▼ 0.2%

MEDIAN HOME PRICE INDEX	
$230,000	▲ 2.2%

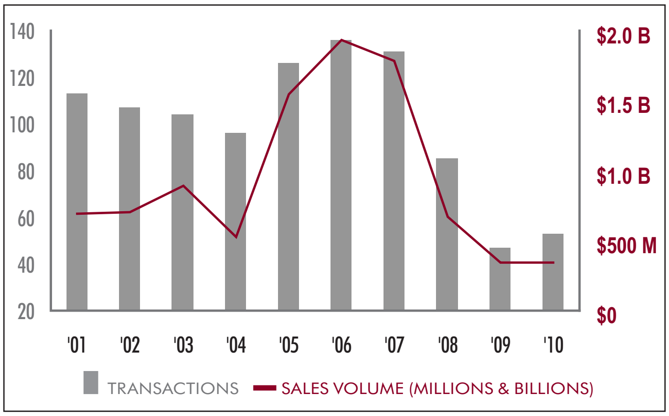
MEDIAN HOUSEHOLD INCOME
$69,244

2010 REVIEW

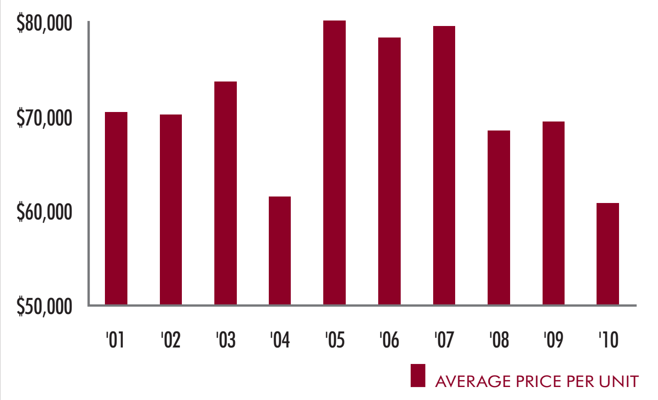
Home sales fell rapidly in Metro Denver following the expiration of first-time buyer incentives in the spring of 2010, a trend that boosted the local apartment market as more would-be buyers chose to remain renters. Sales of single-family houses and condos were down 6.5% year-to-date in 2010 compared to 2009, but the most recent month's data—several months after the end of the tax credit—showed a steeper 28% drop in sales compared to the same month a year earlier. Meanwhile, the local economy continued to shed jobs, with a 0.2% loss in 2010, pushing unemployment up to 8.2%, a 50 basis-point increase from the prior year, but still below the national rate of 9.6%.

- Apartment demand intensified dramatically, propelling absorption to a six-year high of 7,862 units. In contrast, only 343 units were absorbed during 2009.
- Increasing from the 2,770 units entering lease-up in 2009, new apartment construction accelerated to 3,250 units. Denver County and Arapahoe County South were the recipients of most of the new units.
- Multifamily permits—including those issued for both rental and for-sale units—fell to about 1,100 units, the lowest annual total on record since 1991. Despite the lower total, developer interest remained high, if only impeded by the metro area's lengthy entitlement process, generally at two years.
- The overall average vacancy rate decreased a sizeable 400 basis points from 2009 to 2010, reaching 5.1% near year's end and marking the most significant year-over-year improvement in 30 years.
- Rents advanced past their prior market peak thanks to the uptick in leasing activity. The average market rent surged to $919, up 4.8% from a year ago and marking the strongest year-over-year gain in a decade.

SALES VELOCITY

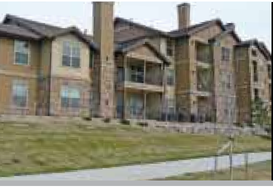


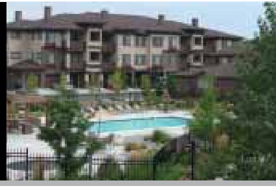
AVERAGE PRICE / UNIT



2010 / 2009 COMPARISON VACANCY & RENT

40+ UNITS SUBMARKETS	VACANCY 2010	VACANCY 2009	AVERAGE RENT INCREASE 2010	AVERAGE RENT INCREASE 2009	AVERAGE RENT 2010	AVERAGE RENT 2009
Adams County	5.1%	8.2%	5.8%	-5.2%	$887	$839
Arapahoe North	4.7%	11.7%	3.9%	0.1%	$698	$672
Arapahoe South	7.1%	11.1%	4.9%	-0.6%	$946	$902
Denver County	4.9%	8.7%	6.1%	-0.6%	$944	$890
Douglas County	4.9%	7.2%	3.7%	-1.9%	$1,137	$1,096
Jefferson County	5.1%	7.7%	4.6%	-2.2%	$877	$838
TOTALS	5.1%	9.1%	4.8%	-1.3%	$919	$877





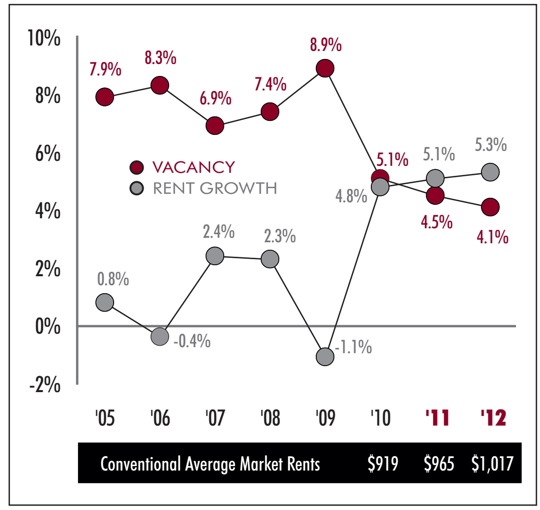
FORECAST 2011

Employment growth in the Denver MSA will improve to a gain of 0.9% in 2011, followed by a gain of 1.3% in 2012. Although Colorado is holding behind the U.S. in terms of job growth, the state is still seen as a long-term best bet for economic expansion, with both Forbes and the Beacon Hill Institute recently ranking Colorado among the top five states for business and competitiveness, respectively. In another positive ranking, Clean Edge named Metro Denver the fifth most-active job center for the cleantech industry, expected to be a significant economic generator in the years ahead. The region has already attracted such big names in this sector as Vestas and SMA America (which plans to add 500 new jobs in Denver in 2011), and has also seen relocations and expansions by other alternative energy firms, including SkyFuel and Solar Energy Systems.

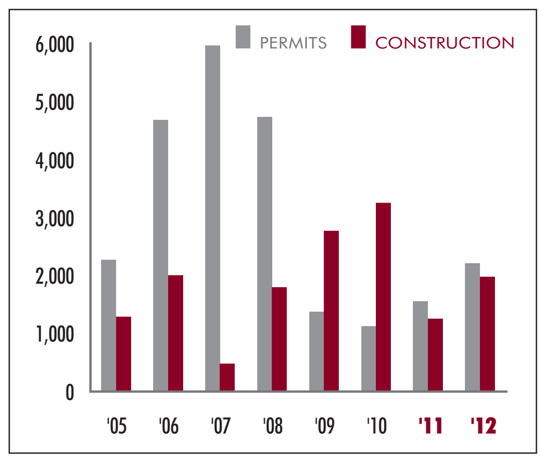
The Denver area's multibillion-dollar FasTracks program remains a major economic force, with construction recently beginning on two key projects: the $1 billion East Corridor, which will link downtown to Denver International Airport by 2016, and the long-awaited Union Station in downtown Denver, which will become a regional multi-modal transit center. As part of the larger Eagle P3 project, the East Corridor will support 5,000 jobs annually in 2012 and 2013, while the Union Station project will create thousands of new jobs and have a $3 billion economic impact. These projects are spurring private investment, such as DaVita Corporation's planned $90 million headquarters near Union Station.

- Denver is considered a life style city for the Generation Y age cohort of 18-34, a prime renter age group. Forecasts project an annual average 1.8% rate of growth through 2015 for this age group, versus 1.5% for the MSA overall. With demographic trends favoring rentals and local single-family housing sales remaining tepid, the apartment market will see healthy demand of 3,500-4,000 units annually over the forecast period. The metro area is increasingly moving toward a renter society, with home ownership expected to fall from 68% to 63% over the next five years.
- New construction deliveries will trend down to 1,250 units in 2011 and will fall just shy of 2,000 units in 2012. Developers will favor apartment construction over condos, but entitlement will remain a challenge. Development centers will include Denver, Jefferson, and Arapahoe counties. Overall, more than 12,000 units were in the planning and proposal stages, but many plans collapsed due to the national recession and ensuing financing crisis.
- Further improvement will be seen as vacancy rates dip to 4.5% in 2011 and to the low 4.0% range in 2012, representing the tightest rental market for the Denver Metro Area in more than a decade.
- Concessions will abate, declining from the current average of about one month's free rent as owners find market conditions more favorable. Expect annual rental increases in excess of 5.0% annually over the forecast period.

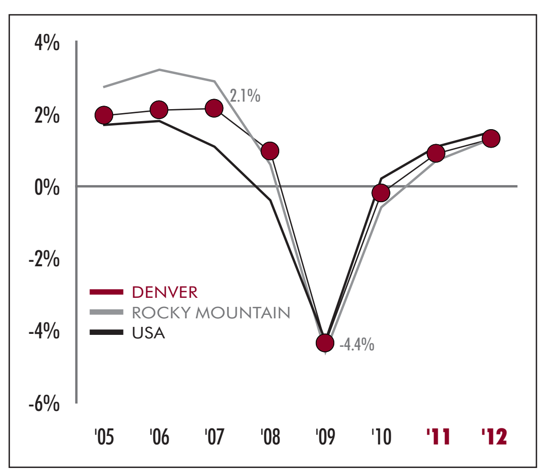
VACANCY & RENT



PERMITS / CONSTRUCTION



EMPLOYMENT GROWTH



The vacancy and rent chart containing submarkets represents a third quarter year-over-year comparison. The *historical* vacancy and rent graph displays year-end figures, while 2010 is through third quarter. All *historical* sales price, sales volume, permit, construction, and employment figures are year-end. 2010 sales volume, average price-per-unit, permits, and construction are estimated for the full year using year-to-date data through September. Sales data represents all professionally managed communities of $1+ million. Annual *historical* employment are yearly averages, while 2010 is based on year-over-year performance as of September 2010.