

QUICK FACTS

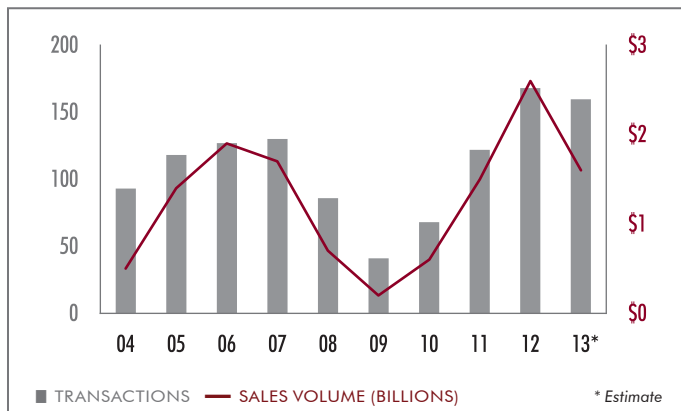
POPULATION	
2,712,540	▲ 1.7%
EMPLOYMENT	
1,291,300	▲ 2.6%
MEDIAN HOME PRICE	
\$282,440	▲ 8.9%
MEDIAN HOUSEHOLD INCOME	
\$63,240	▲ 4.3%

2013 REVIEW

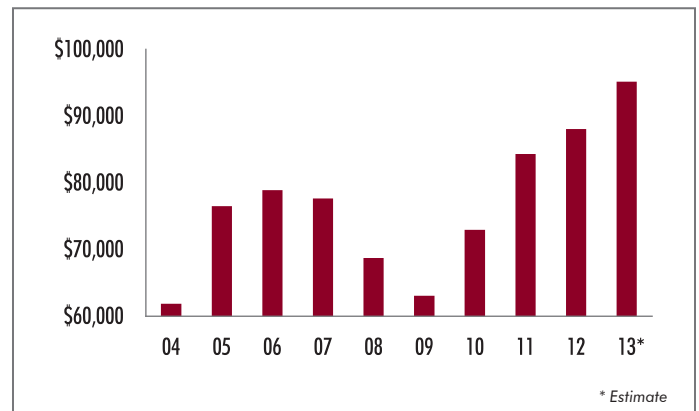
Denver-area employers added jobs at a pace faster than the national rate in 2013, tamping down vacancy year over year and supporting robust rent growth. Over the past four quarters, metrowide payrolls have increased by 33,000 positions, a 2.6% surge. Most sectors resumed hiring, though losses in the information, other services and financial activities industries weighed on overall growth. Conversely, professional and business services companies provided the greatest boost to the economy, adding roughly 13,000 new hires in 2013. Redwood Trust Inc., for example, began to hire as many as 550 administrative positions late in the year in Douglas County. Additionally, there was measurable expansion in the leisure and hospitality, education and health services and government segments where a combined 13,100 jobs were created.

- In 2013, occupied stock rose by 6,840 units, compared to 3,325 apartments during the previous year. Absorption averaged nearly 4,200 units annually over the past decade.
- After builders completed 2,170 units in 2012, Denver apartment supply surged by 5,560 apartments in 2013. At the close of 2013, there were more than 11,000 units under construction, with many more set to begin in the planning pipeline.
- After multifamily permitting activity spiked by 168% in 2012, planning activity increased, but at a slower rate. In the most recent year, multifamily permit issuance edged up 7.9% to 8,800 units.
- Although vacancy crept up late year, rates are down on a year-over-year basis. Marketwide vacancy finished 2013 at 4.4%, down 50 basis points from the fourth quarter of 2012. Vacancy improved 60 basis points in the prior year.
- Average asking rent advanced 6.6% to \$1,115 per month in 2013, compared to rent appreciation of 5.2% in the previous year.

SALES VELOCITY



AVERAGE PRICE PER UNIT



VACANCY & RENT COMPARISON

SUBMARKETS	VACANCY		AVERAGE RENT INCREASE		AVERAGE RENT	
	2013	2012	2013	2012	2013	2012
Arapahoe County	4.4%	6.4%	6.0%	6.6%	\$1,275	\$1,203
Arvada/Broomfield	4.1%	4.4%	3.4%	7.4%	\$1,068	\$1,033
Aurora/South	4.4%	5.0%	7.2%	3.2%	\$1,117	\$1,042
Denver/Central	5.1%	3.7%	5.8%	4.6%	\$1,527	\$1,443
Denver/Northeast	6.0%	4.9%	4.2%	5.1%	\$1,177	\$1,129
Denver/Southeast	4.7%	5.7%	6.4%	4.8%	\$1,029	\$967
Douglas County	3.7%	4.6%	7.0%	4.6%	\$1,211	\$1,131
Lakewood/South	4.1%	5.1%	7.0%	5.2%	\$1,080	\$1,009
Northglenn/Thornton	4.2%	5.0%	7.0%	5.9%	\$1,021	\$955
Westminster	4.4%	4.5%	6.9%	5.8%	\$994	\$930
TOTALS	4.4%	4.9%	6.6%	5.2%	\$1,115	\$1,046

For a full list of Denver submarkets, visit apartmentupdate.com/report/1226

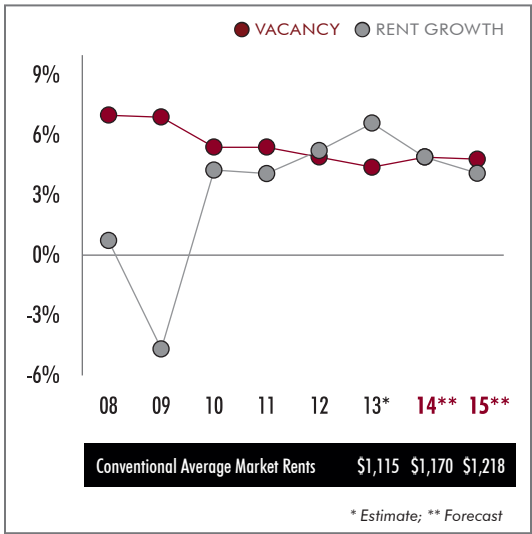
FORECAST 2014

Employment gains will persist well above nationwide improvements, fueling residential demand amid a glut in new apartment supply. Similar to last year, several corporations have ongoing expansion efforts. Time Warner Cable's \$85 million expansion of their Data Center West campus in Centennial will create 400 jobs. Also in Douglas County, Visa and technology manufacturer TriZetto Corp. plan to hire a combined 600 workers this year. These positions, combined with the Redwood Trust Inc. ongoing expansion, will add hundreds of high-paying jobs to the southern portion of the metro, providing a boost to local Class A renter demand. Metrowide payrolls are on pace to rise by 37,400 workers by the end of this year, an increase of 2.9%. In 2015, employment levels will grow by a healthy 2.4%, with an anticipated 31,900 hires.

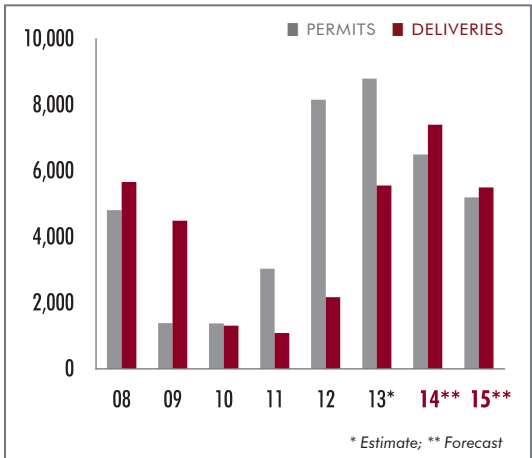
Investors will continue to target the Denver metro via both acquisitions and construction of new apartment properties. Downtown Denver will again lead other submarkets in supply additions. One City Block, Residences at Prospect Park and the Platform at Union Station are some of the largest ongoing projects in central Denver. The three projects alone will add nearly 900 apartments over the next four quarters. In the investment arena, although sales of institutional-sized properties eased slightly last year, the hefty supply of luxury properties this year may convince some owners to sell and redeploy their capital elsewhere. Prospective buyers should not expect fire-sale pricing, however, as demand for these assets will far outweigh supply.

- Absorption will remain at elevated levels, but is anticipated to dip slightly over the next 12 months. Operators will record 5,570 newly occupied units metrowide this year. In 2015, net absorption is projected to register 5,540 units, relatively flat year over year.
- Construction output will peak this year as builders add 7,400 market-rate rentals. Deliveries will fall to an estimated 5,500 units in the subsequent one-year period.
- Upward pressure on vacancy will cause builders to scale back apartment planning. Multifamily permit issuance is expected to fall 26.1% to 6,500 units by December of this year. Issuance will contract to 5,200 units in 2015.
- The supply overhang will lift metrowide vacancy, though rates will remain below the historical average of 6.1%. Overall vacancy will ascend 50 basis points in 2014 to 4.9% by year-end. Fewer completions next year will underpin a 10-basis-point dip in vacancy to 4.8%.
- Asking rents will continue to grow, though owners will expand concessions. Asking rents will advance 4.9% this year to \$1,170 per month. Next year, asking rents will improve 4.1% to \$1,218 per month. By the end of the two-year forecast period, concessions are predicted to expand to 2% of asking rents, or roughly one week of free rent.

VACANCY & RENT



PERMITS & CONSTRUCTION

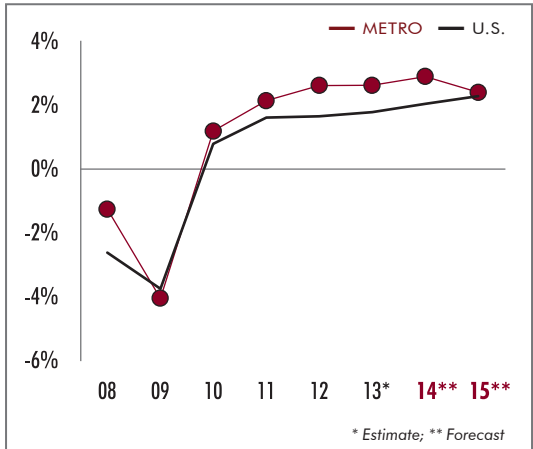


JOB CHANGE

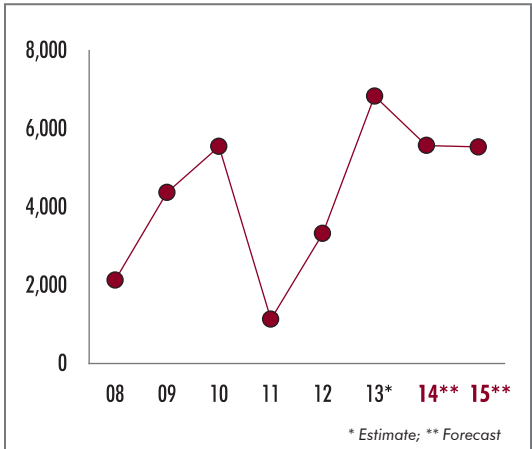
Year	GAINED	LOST
2005	26,000	
2006	22,900	
2007	26,800	
2008		(15,800)
2009		(50,100)
2010	14,100	
2011	25,700	
2012	32,100	
2013*	33,000	
2014**	37,400	
2015**	31,900	

* Estimate; ** Forecast

EMPLOYMENT GROWTH



ABSORPTION



Data and images pertaining to employment, income, permits, population, rents, single-family housing and vacancy are year-end figures. Absorption, construction and apartment sales figures are full-year totals. Numbers for 2013 are estimated values, while 2014 and 2015 figures are forecast projections. The sales information represents transactions of apartment properties with a sales price of \$1 million or more. Apartment market data criteria and methodologies vary by market.