



Change from last quarter



Vacancy
4.9%



Average Rent
\$978.99



Average Rent Per SF
\$1.14



Net Absorption (units)
-1,645



Economic Vacancy
13.0%

Source: Apartment Association Metro Denver

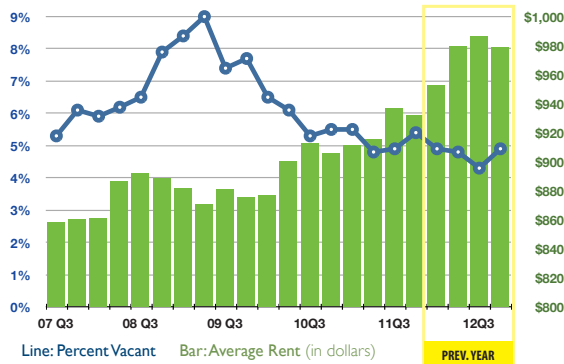
METRO DENVER MULTIFAMILY MARKET

- Interest in multifamily development continues to increase and the number of apartment units being added to the market continues to grow each quarter. With the pipeline of new construction increasing, vacancy rates have started to increase.
- The vacancy rate rose slightly ending the fourth quarter at 4.9%. All six counties reported slightly higher vacancy than where they stood during the third quarter. Historically, vacancy rates are higher in the fourth quarter compared to previous quarters.
- Low interest rates and high demand from renters propelled Denver-area apartment sales to a record \$2.4 billion in 2012. 2012 saw the largest sales volume and largest number of units trade hands to date.
- Overall, average rental rates decreased slightly from the third quarter and ended the fourth quarter at \$978.99, down from \$986.42 in the third quarter. Rents are beginning to stabilize after posting a record increase during the second and third quarter of 2012.
- Development interest remains strong in the metro area. The number of units under construction continues to increase with over 12,000 units currently under construction and another 18,000 proposed.
- The unemployment rate in Colorado is 7.6% for December 2012, down from 7.9% in October. Colorado is slightly lower than the national unemployment rate of 7.8%.

COUNTY OVERVIEW

	Vacancy Rate	Average Rent	Rent Per SF
Adams	4.5%	\$898.35	\$1.08
Arapahoe	5.0%	\$950.93	\$1.08
Boulder/Broomfield	3.7%	\$1,103.61	\$1.28
Denver	6.1%	\$985.09	\$1.22
Douglas	4.2%	\$1,186.98	\$1.21
Jefferson	4.2%	\$941.79	\$1.12

Source: Apartment Association Metro Denver

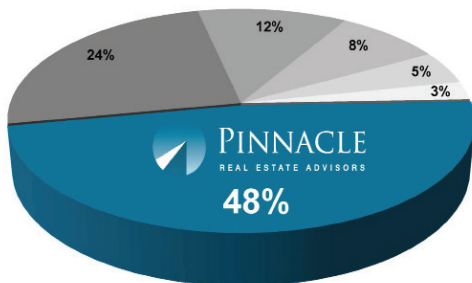


Source: Apartment Association Metro Denver

MULTIFAMILY INVESTMENT OBSERVATIONS

- Low vacancies and increasing rental rates have made the multifamily market attractive to investors. Denver continues to be an attractive market for investors.
- As with previous years, vacancy rates increased in the fourth quarter and posted softer rental statistics from previous quarters.
- Rental rates started to stabilize in the fourth quarter and there was no significant movement in rental rates by age group this quarter.
- The number of new units added to the market will increase in 2013 compared to the past several years. While this will provide an opportunity for high absorption, it could also provide a challenge to vacancy reductions.
- Denver's multifamily sales market was one of the nation's hottest markets in 2012.

METRO DENVER MULTIFAMILY TRANSACTIONS 5-200 UNITS



Source: CoStar This information was obtained from Costar, Inc. Transactions are calculated by totaling deals brokered by all brokers at each firm since 1/1/2007. Numbers are based on recorded transactions from the top 6 brokerage houses. Data includes multifamily transactions between 5 and 200 units in the five county Metro Denver Area. Please contact us to see the raw data.

TERMS AND DEFINITIONS

Net Absorption: The net change in occupied units over a given period of time.

Vacancy Rate: A measurement expressed as a percentage of the total amount of physically vacant units divided by the total amount of existing units. Under construction apartments generally are not included in vacancy calculations.

Economic Vacancy: Economic vacancy is defined as physical vacancy plus concessions and discounts as a percent of gross potential rent.

Deliveries: Buildings that complete construction during a specified period of time. In order for space to be considered delivered, a certificate of occupancy must have been issued for the property.

Cap Rate: Short for capitalization rate. The Cap Rate is a calculation that reflects the relationship between one year's net operating income and the current market value of a particular property. The Cap Rate is calculated by dividing the annual net operating income by the sales price (or asking sales price).

Source: Apartment Association Metro Denver

Pinnacle Real Estate Advisors, LLC is a full service commercial real estate brokerage firm servicing clients globally who own commercial properties in the metro Denver area and throughout Colorado. Our expertise encompasses all commercial real estate property types as well as property management.

We have experienced advisors specializing in retail property sales, leasing and acquisition. We act as your MarketAdvisor™ and are completely committed to our clients needs and building long-term relationships.

We align strategically with our clients to facilitate the sale of their properties utilizing **The Pinnacle Experience™**. We deliver superior real estate guidance, proven market perspective and unmatched results.

This report was compiled from information obtained from the first quarter Apartment Association of Metro Denver and Apartment Insights reports.