

Change from last quarter.

Source: Apartment Association Metro Denver


 Vacancy
5.5%

 Average Rent
\$1,465

 Average Rent Per SF
\$1.73

 Net Absorption (units)
4,063

Metro Denver Multifamily Market

- The vacancy rate decreased to 5.5 percent in the third quarter of 2018 from 6.0 percent in the second quarter. Historically, vacancy is higher in the fourth and first quarters of the year and lowest during the second and third quarters.
- Average rental rates decreased this quarter to \$1,465. Last year during this quarter, they stood at \$1,412 and at \$1,368 in 2016.
- According to a report released by the Apartment Association of Metro Denver, one county was up in its vacancy rate this quarter, and five counties showed a decrease. Buildings with “350 +” units had the highest vacancy rate at 6.0 percent and buildings with “up to 8” units had the lowest vacancy rate of 2.6 percent. Historically, larger buildings tend to have higher vacancy rates.
- In the third quarter, 2,570 new units were completed. Construction of apartment buildings is leading the Denver Metro area’s building boom. New construction will help meet the rising demand as Denver continues to be an attractive city for people to move to.
- The unemployment rate in Colorado was 2.9 percent for August 2018. Colorado continues to remain lower than the national unemployment rate of 3.7 percent.
- Sales activity is expected to remain strong through 2018.

Source: Apartment Association Metro Denver

Overall Metro Denver Statistics

	Vacancy Rate	Average Rent	Rent Per SF
Adams	4.5%	\$1,387	\$1.64
Arapahoe	5.5%	\$1,394	\$1.63
Boulder/Broomfield	4.0%	\$1,642	\$1.85
Denver	7.1%	\$1,517	\$1.86
Douglas	5.2%	\$1,531	\$1.70
Jefferson	4.0%	\$1,431	\$1.70

Source: Apartment Association Metro Denver

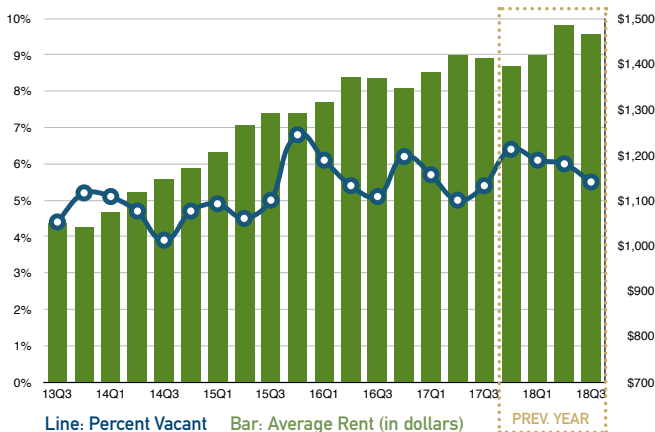
Multifamily Investment Activity

Colorado's attractive lifestyle and robust economy continue to draw people to the region, continuing the demand for quality rental housing in a market that remains tight even while new apartments are being built at a rapid pace.

Given further increases in the number of new additions to the inventory this quarter and over the last three plus years, the continued trend in the Denver metro unemployment rate, normal seasonal vacancy changes, continued immigration, and an increase in metro area natural population, continued absorption of units is expected during the year. Rent growth and vacancy rates both have seasonal movements with some variation across certain sub markets. Historically the vacancy rate is higher in the fourth and first quarters than the second and third quarters, which we have seen again so far this

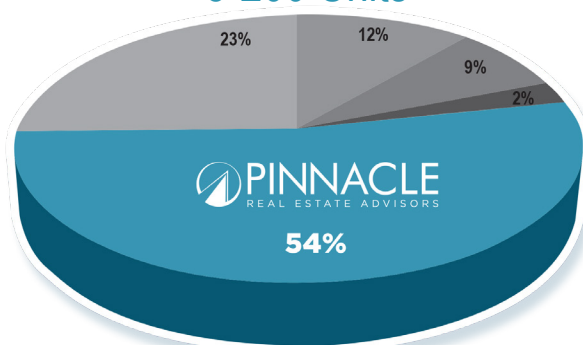
year. The number of new units added to the inventory during 2017 increased, as seasonal construction was completed and permitted construction obtained certificates of occupancy. 2,570 new units were reported for the third quarter of 2018. Absorption outpaced new units delivered for the second quarter of 2018, but there can be jumps in sub markets vacancy while new units are absorbed. The overall average rent for the last ten years has increased from around \$800.00 in 2002 to \$1,464.90 this quarter. The overall vacancy rate was at 5.5%. Absorption was positive for the quarter with 4,063 units being absorbed. The absorption and new supply numbers will continue to be watched closely with significant new additions expected to the apartment stock over the next several quarters.

Rental Rate & Vacancy Analysis



Source: Apartment Association Metro Denver

Metro Denver Multifamily Transactions 5-200 Units



Source: (CoStar) This information was obtained from Costar, Inc. Percentages are calculated by totaling deals closed by brokers at each of the top 5 brokerage houses since 1/1/2007 between 5 and 200 units in the five county Metro Denver Area.

Terms and Definitions

Net Absorption: The net change in occupied space over a given period of time. Unless otherwise noted Net Absorption includes direct and sublease space.

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

Full Service Rental Rate: Rental rates that include all operating expenses such as utilities, electricity, janitorial services, taxes and insurance.

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).

All information contained in this report was obtained from 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.

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