

# PULSE

SUMMER/FALL 2009

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**COLORADO ECONOMY**

Population Growth (2009)\*

Colorado	<b>2.00%</b>
Denver	<b>1.60%</b>
Colorado Springs	<b>3.11%</b>
U.S.	<b>0.92%</b>

Job Growth (YTD '09)\*\*

Colorado	<b>(2.70%)</b>
Denver	<b>(3.41%)</b>
Colorado Springs	<b>(1.52%)</b>
U.S.	<b>(3.52%)</b>

Unemployment (YTD '09)\*\*\*

Colorado	<b>7.40%</b>
Denver	<b>7.46%</b>
Colorado Springs	<b>7.80%</b>
U.S.	<b>9.24%</b>

**INTEREST RATES\*\*\*\***

Prime Rate	<b>3.25%</b>
5-Year Treasury	<b>2.71%</b>
10-Year Treasury	<b>3.72%</b>
LIBOR Index (6 months)	<b>1.24%</b>
Cost of Funds Index (11th District)	<b>1.83%</b>

\* Population Growth is forecasted  
 \*\* Job Growth is year-to-date  
 \*\*\* Unemployment rate is current as of YTD 2009  
 \*\*\*\* Interest Rates are current as of June 2009



**RECENT HEADLINES**

BY JEFF HAWKS, PRINCIPAL

**“APARTMENT VACANCY AT FIVE-YEAR HIGH”**

*DENVER POST, JULY 2009*

**“METRO DENVER APARTMENT MARKET BEST SINCE 2003; YEAR OVER YEAR EFFECTIVE RENTS INCREASE 3%.”**

*ARA PULSE, SUMMER 2009*

So which headline do you believe? They are both true, but as they say on FOX News, “The spin stops here.” In our case there is no need for spin. While Congress is trying to figure out how much it will cost and who will pay for a national healthcare plan, we have the statistics. You make up your own mind on which headline to use.

The Apartment Association of Metro Denver (AAMD) has been sponsoring a vacancy and rent survey for nearly 30 years and Dr. Gordon von Stroh, professor at the University of Denver, has conducted this survey since its inception. No other survey has been in existence as long and no other survey incorporates as many units.

Based on information from roughly 287,000 units, the second quarter of 2009 did not deserve the disrespect it received in the media. The vacancy for metro Denver apartment properties reached 9.0% during the second quarter, the highest rate seen in Denver since 2005, but this is only half the story.

**“RENTERS TODAY ARE PAYING EFFECTIVE RENTS NEARLY 6% HIGHER THAN 2007 AND 11% HIGHER THAN 2005.”**

In the second quarter, market rents only dropped by a fraction, from \$1.03 to \$1.02, while concessions only increased 10 basis points to 7.9%. One year ago, market rents were \$1.04 and concessions were 12.1%. So the headline could have read, “Metro Denver Rents Increase 3% Over the Last 12 Months.”

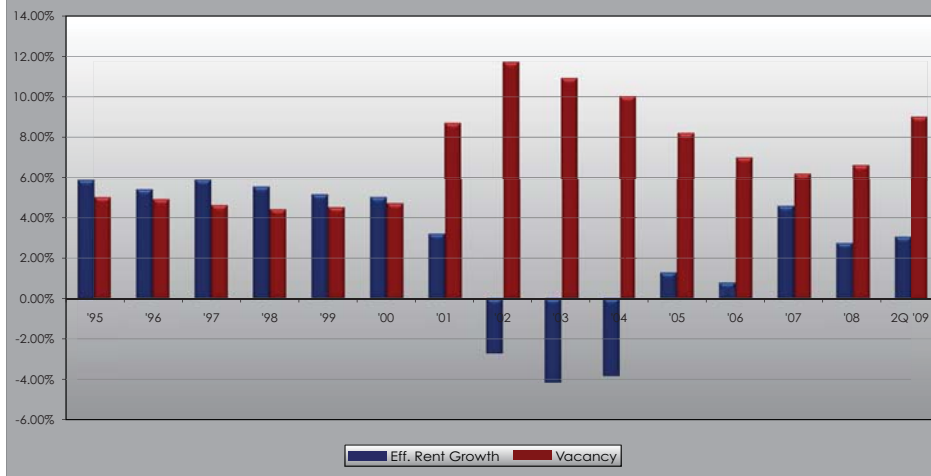
*Recent Headlines continues on next page*

Recent Headlines, continued

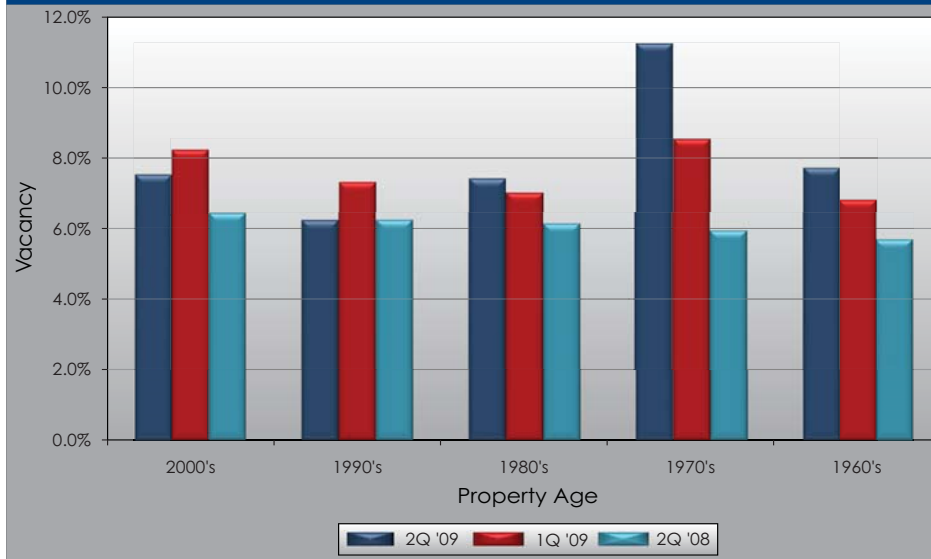
We have never seen rents drop so little in the face of a 300 basis point increase in vacancy. One reason for this is that nearly all of the additional vacancy is in older product. Occupancy actually increased for properties built during the 1990s and 2000s while decreasing slightly for properties built during the 1980s. Another reason is higher rents at new properties. In 2002, new apartments dropped their rates 30-40 percent below existing class A product and rents began a downward spiral. Today, new communities might be 30-40 percent off of their proforma rents, but most are leasing at \$1.00 to \$1.20, about the same as existing class A. The exception is the downtown submarket, where effective rents have fallen from \$1.85+ to as low as \$1.30.

In an economy where everyone is looking for the doom and gloom, sometimes the good news is overlooked. The truth is that there are more vacant units in metro Denver today than last year. The market has delivered 2,094 units thus far in 2009, but renters today are paying effective rents nearly 6% higher than 2007 and 11% higher than 2005. In spite of the uptick in vacancy, most metro Denver apartment owners are bringing in significantly more rent today than they have in the past. With only 3,500 units yet to be delivered, the metro Denver apartment market may be at the bottom of the cycle and based on this "no spin" analysis of the market... This bottom doesn't look so bad!

METRO DENVER EFFECTIVE RENT GROWTH



METRO DENVER VACANCY BY YEAR OF CONSTRUCTION



APARTMENT REALTY ADVISORS  
**FEATURED**  
*Listings*



**TAMARAC VILLAGE**  
Denver, CO  
Price: \$TBD  
Number of Units: 564  
Price Per Unit: \$N/A  
Price Per Sq. Ft.: \$N/A



**BUCKLEY PLACE & BUCKLEY PARK**  
Aurora, CO  
Price: \$2,339,000  
Number of Units: 78  
Price Per Unit: \$29,987  
Price Per Sq. Ft.: \$57.40



**VERDE DRIVE**  
Colorado Springs, CO  
Price: \$720,000  
Number of Units: 24  
Price Per Unit: \$30,000  
Price Per Sq. Ft.: \$36.05



**19TH PLACE APARTMENTS**  
Denver, CO  
Price: \$2,995,000  
Number of Units: 34  
Price Per Unit: \$88,088  
Price Per Sq. Ft.: \$183.52



**TWIN ARMS**  
Lakewood, CO  
Price: \$1,595,000  
Number of Units: 34  
Price Per Unit: \$46,912  
Price Per Sq. Ft.: \$58.64



**FRANKLIN ROOSEVELT**  
Denver, CO  
Price: \$5,620,000  
Number of Units: 76  
Price Per Unit: \$73,947  
Price Per Sq. Ft. (Gross): \$70.08



**GREYSTONE**  
Colorado Springs, CO  
Price: \$749,900  
Number of Units: 10  
Price Per Unit: \$74,990  
Price Per Sq. Ft.: \$65.95

# COLORADO SPRINGS SHOWS STRONG RECOVERY

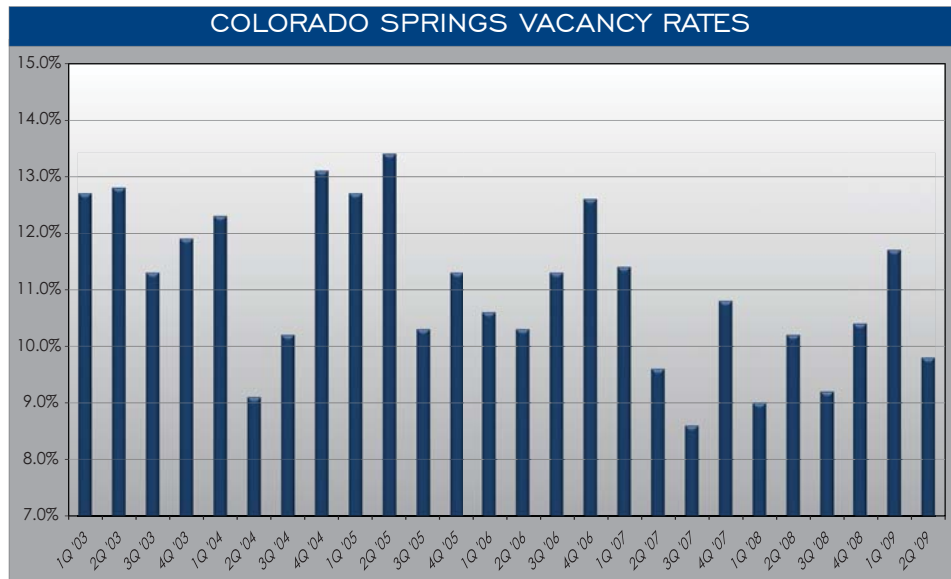
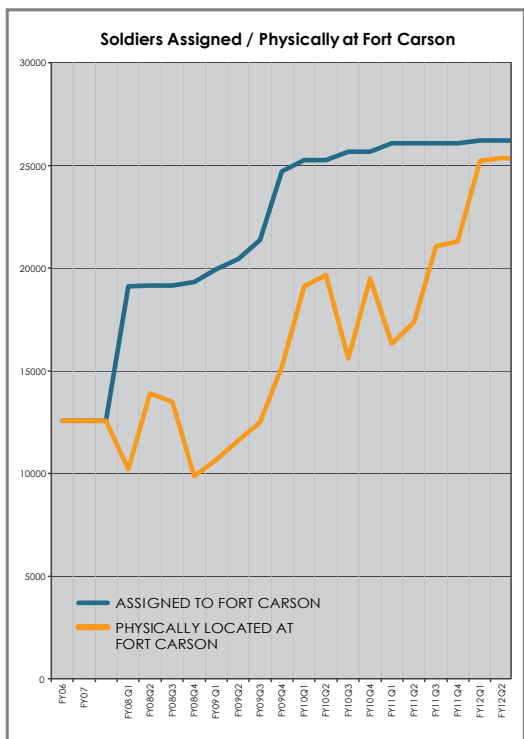
BY DOUG ANDREWS, PRINCIPAL

After a difficult decade, Colorado Springs is finally on the mend. This could be the fastest improving apartment market in the country. Absorption is strong, vacancy has fallen by 20% and rents are starting to climb.

The market absorbed 1,038 units in the second quarter and vacancy fell from 11.7% to 9.8%. Market rents surged 3.5% over the first quarter while concessions fell to 11.9%. Effective rents were up 3.3% in the second quarter and 2.3% over last year. The only new property under construction added 223 units to the supply but is leasing over 40 units per month and is raising rents. A couple more developments have been proposed but equity for development is scarce and construction loans

are unavailable, except from HUD. We will not see any more apartments delivered in Colorado Springs for at least one to two years.

The obvious reason for this recovery is the military buildup. Fort Carson will gain 6,000 enlisted personnel this year, net of all deployments. Rental housing availability remains the army's primary concern. But, in addition, the private sector is beginning to add jobs, with 1,500 announced since January. As we have forecast, the Colorado Springs apartment market will be very tight in the near future.



## APARTMENT REALTY ADVISORS RECENT Sales



**HIGHLAND POINT**  
**Price:** \$16,500,000  
**Number of Units:** 319  
**Price Per Unit:** \$51,724  
**Price Per Sq. Ft.:** \$69.24



**REMINGTON PLACE**  
**Price:** \$8,444,907  
**Number of Units:** 119  
**Price Per Unit:** \$70,966  
**Price Per Sq. Ft.:** \$86.35



**LAMAR VILLAGE**  
**Price:** \$9,200,000  
**Number of Units:** 182  
**Price Per Unit:** \$50,549  
**Price Per Sq. Ft.:** \$82.22



**WASHINGTON STREET**  
**Price:** \$1,095,000  
**Number of Units:** 17  
**Price Per Unit:** \$64,412  
**Price Per Sq. Ft.:** \$118.19



**CURTIS PARK FLATS**  
**Price:** \$420,000  
**Number of Units:** 9  
**Price Per Unit:** \$46,667  
**Price Per Sq. Ft.:** \$85.16



**ROCKRAVEN**  
**Price:** \$630,000  
**Number of Units:** 10  
**Price Per Unit:** \$63,000  
**Price Per Sq. Ft.:** \$76.83



**PLATT PARK - LAND**  
**Price:** \$1,050,000  
**Number of Acres:** +/- .43  
**Zoning:** B4

# APARTMENT MARKET STATISTICS

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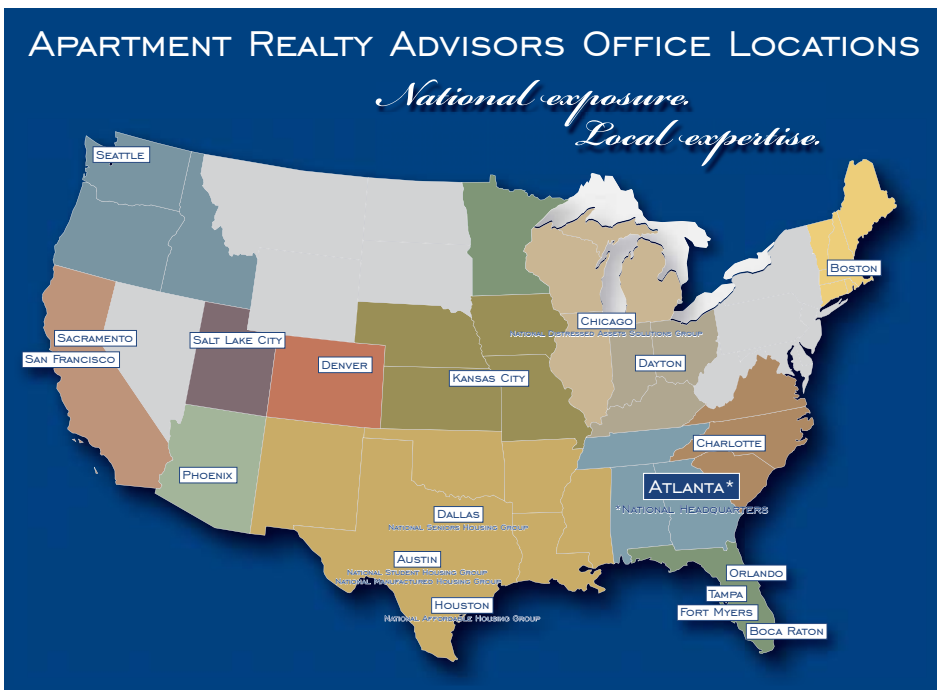
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METRO DENVER			
	2nd Qtr 2009	1st Qtr 2009	2nd Qtr 2008
<b>Vacancy</b>	9.00%	8.40%	6.20%
<b>Average Rents</b>	<b>\$870</b>	<b>\$882</b>	<b>\$886</b>
Per Square Foot	\$1.02	\$1.03	\$1.04
Concessions	7.90%	7.80%	12.10%
<b>New Construction</b>			
Units Completed (YTD)	2,094	1,401	493
New Permits (YTD)	350	177	2,192
Absorption (YTD)	(1,230)	(142)	180
<b>Sales (10+Units)</b>			
Units Sold	1,538	469	5,554
Average Price/Unit	\$58,965	\$76,020	\$83,310
Average Price/SF	\$51.41	\$102.84	\$103.24

COLORADO SPRINGS			
	2nd Qtr 2009	1st Qtr 2009	2nd Qtr 2008
<b>Vacancy</b>	9.80%	11.70%	10.20%
<b>Average Rents</b>	<b>\$718</b>	<b>\$693</b>	<b>\$707</b>
Per Square Foot	\$0.88	\$0.86	\$0.88
Concessions	11.90%	9.50%	13.90%
<b>New Construction</b>			
Units Completed (YTD)	223	0	100
Absorption (YTD)	466	(572)	353
<b>Sales (10+Units)</b>			
Units Sold	248	30	2,083
Average Price/Unit	\$47,883	\$31,667	\$62,415
Average Price/SF	\$60.64	\$37.43	\$83.58

Sources: Apartment Association of Metro Denver, Vacancy and Rent Survey 2nd Qtr 2009, US Census Bureau.



## About Apartment Realty Advisors (ARA)

Atlanta-headquartered Apartment Realty Advisors (ARA) is the largest privately held, full-service investment advisory firm in the nation that focuses exclusively on the brokerage of multihousing properties including conventional, distressed, affordable, manufactured, seniors, student and multihousing land. ARA is comprised of the country's top investment professionals who leverage a unique and fully integrated cooperative business platform of shared information, relationships and technology driven solutions. ARA's unified enterprise approach ensures that clients are delivered the broadest asset exposure, effective matching of buyers and sellers, and the shortest transaction timeframes in the industry. The combination of resources, unparalleled market expertise and nationwide presence in the multihousing marketplace has resulted in average annual production volume of \$6.3 billion in real estate transactions since 2003. For detailed information on ARA's extensive multihousing investment services, visit [www.arusa.com](http://www.arusa.com).

The information listed has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it.