

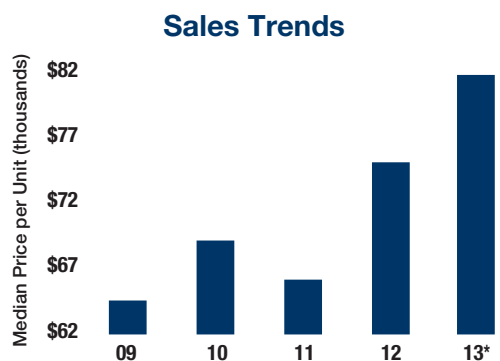
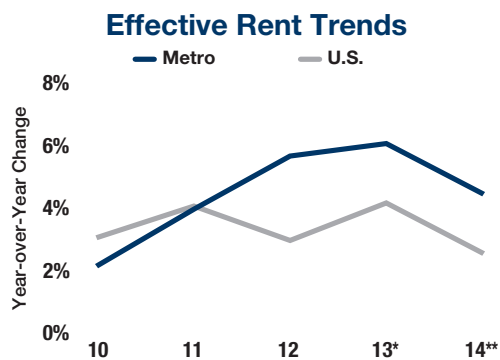
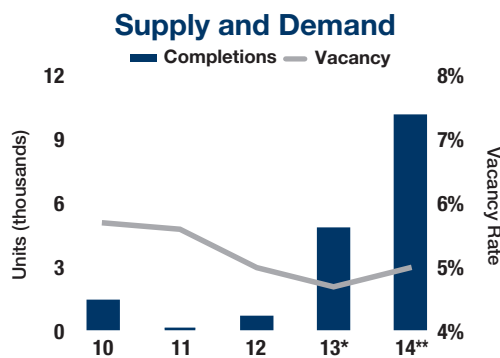
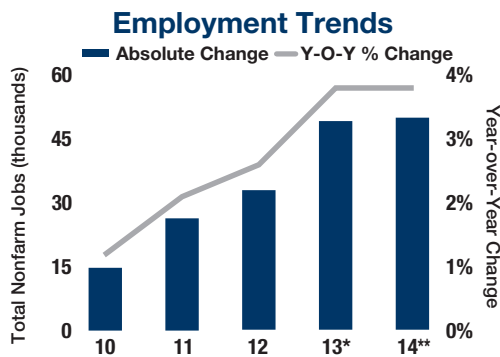
## Bustling Economy Eases Concerns, Light Rail Paves the Path for Investment Activity

Denver employment will rise at one of the fastest paces in the nation this year, supporting housing demand as a wave of new inventory comes online. A highly educated workforce is fostering expansion in several of the metro's high-tech industries, including energy, financial services, bioscience and healthcare. In addition, the highly anticipated redevelopment of Union Station in downtown Denver will be completed midyear, creating a multi-modal transportation hub that connects train, light rail, bus and other transportation options in one central location. This project has been a catalyst for development throughout the area as nearly 4,000 apartments are under construction in the CBD and several projects have been established in the path of rail lines. Though a surplus of inventory will threaten to soften select submarkets this year, strong job growth and household formation should mitigate upswings in vacancy.

Investment activity will remain brisk through 2014 as a bright economic outlook and an increase in household formation instill confidence in investors. However, a limited number of properties available for sale could hinder transaction velocity in the coming months. Light rail expansion is guiding many investors to purchase assets along the planned routes and the area along the I-225 rail line has also been especially popular. The anticipated opening of this rail line, as well as job cultivation and development near the Fitzsimons Life Science District are spurring interest in area properties. Pre-1980s assets in need of repositioning are garnering strong investor interest and range in quality, amenities and size. The recently opened West Rail Line will continue to draw significant attention as investors who have stabilized assets seek to cash out and search for additional opportunities.

### 2014 Market Outlook

- ◆ **2014 NAI Rank: 3, Up 8 Places.** The nation's strongest rent-growth forecast propelled Denver eight spots in this year's ranking to claim the third position.
- ◆ **Employment Forecast:** Denver employers will create 49,100 positions this year, expanding payrolls 3.8 percent. Employment growth was also 3.8 percent last year.
- ◆ **Construction Forecast:** Completions will double from last year as builders deliver 10,000 units in 2014, increasing stock 3.7 percent.
- ◆ **Vacancy Forecast:** Vacancy will tick up 30 basis points to 5 percent by year end, erasing the 30-basis point drop in 2013.
- ◆ **Rent Forecast:** Effective rents grew 6.1 percent last year and will advance 4.5 percent in 2014 to \$987 per month.
- ◆ **Investment Forecast:** Buyers seeking assets in the path of growth will also look along the East and Gold lines, or planned routes to the north.



Sources: CoStar Group, Inc., Real Capital Analytics

\* Estimate \*\* Forecast

**Market Forecast** Employment: 3.8% ▲ Construction: 5,300 ▲ Vacancy: 30 bps ▲ Effective Rents: 4.5% ▲