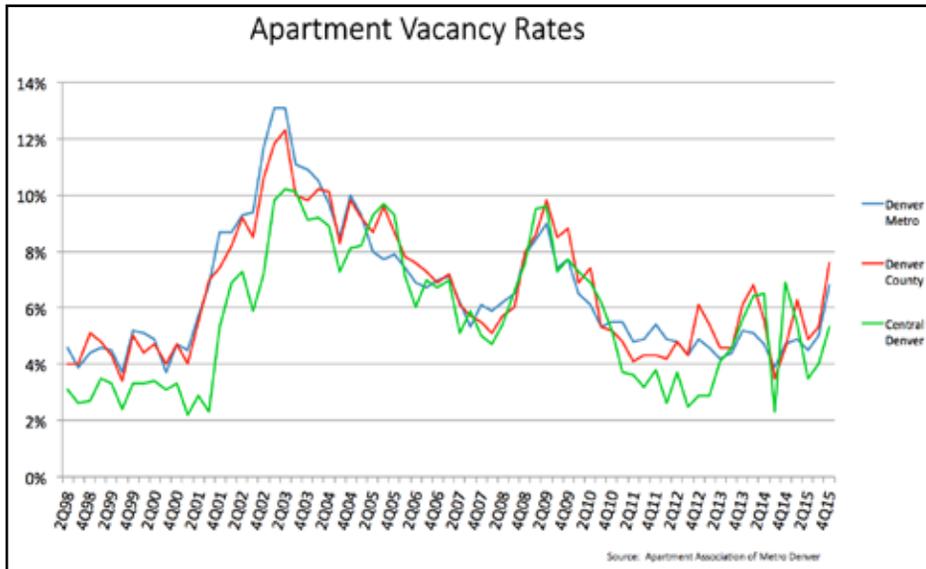


CENTRAL DENVER MARKET REPORT

New Construction Has Already Impacted Vacancy Rates



Vacancy rates historically move together across the Metro Denver market.

Rampant apartment construction is driving up vacancy rates, and everyone is going to be affected in 2016. How can a new 300-unit property targeting \$2,000 rents near Coors Field impact a 12-unit building on Capitol Hill with \$950 rents? Easy – leasing troubles know no geographic boundaries.

It's important to understand the Denver rental market has been fluid for decades. Vacancy rates are not insulated or isolated by neighborhood. When they move, they move together – across the entire metro Denver area. We have collected nearly 20 years' worth of data, and the chart above displays the synchronous nature of vacan-

cy rates between Central Denver, Denver County, and the metro area as a whole.

In 2002, for example, when new construction in Douglas County pushed up the vacancy rate of Metro Denver, Central Denver rose too – at the exact same time. And when the popularity of Central Denver drove down local vacancy rates below 3% in 2011 and 2012, vacancy across Metro Denver fell too.

With 20,000 more apartments currently under construction, we expect Metro vacancy rates will approach 10% this year. And as they climb, Central Denver owners will see leasing traffic slow down, vacancies increase, and rents soften. We're all in this together!

1031 EXCHANGE BUYERS HELP FUEL THE MARKET

2016 is off to a robust start, with our team alone closing eight transactions since the beginning of the year. This could reverse the trend seen last year, when transaction volume was down slightly across Central Denver compared to 2013 and 2014.

Our 2016 sales include an 11-unit building near DU for \$161,000/door, and a 17-unit building on South Lincoln for \$147,000/door. Both of these transactions involved buyers completing 1031 exchanges, and both deals reflect the same investor confidence in the market that drove average prices to a record level above \$150,000/door in Central Denver last year.

While there is some uncertainty around apartment performance this year, for example; vacancy rates, many investors continue to believe multi-family buildings are the best choice in the economy.



CAPITOL HILL - 8 Sales (12/1/15 - 03/1/16): Average \$162,232/Unit



709 E. 11th Ave.
\$440,000
2 Units
\$220,000/Unit
Sold: 2/29/2016



1021 Ogden St.
\$525,000
6 Units
\$87,500/Unit
Sold: 02/17/2016



725 Logan St.
\$2,525,000
18 Units
\$140,278/Unit
Sold: 2/1/2016



1435 Franklin St.
\$1,735,000
12 Units
\$144,583/Unit
Sold: 1/26/2016



961 Clarkson St.
\$2,150,000
17 Units
\$126,471/Unit
Sold: 1/20/2016



1139 York St.
\$2,775,000
17 Units
\$163,235/Unit
Sold: 1/14/2016



600-624 Pennsylvania St.
\$11,750,000
53 Units
\$221,698/Unit
Sold: 1/12/2016



1116 Emerson St.
\$2,135,000
11 units
\$194,091/unit
Sold: 12/28/2015

CONGRESS PARK & CU MEDICAL CENTER- 6 Sales (12/1/15 - 03/1/16): Average \$186,366/Unit



1181 Bellaire St.
\$3,000,000
16 Units
\$187,500/Unit
Sold: 2/25/2016



1357 Cook St.
\$1,700,000
9 Units
\$188,889/Unit
Sold: 2/5/2016



1373 Cook St.
\$1,625,000
9 Units
\$180,556/Unit
Sold: 2/5/2016



964-978 Garfield St.
\$1,300,000
6 Units
\$216,667/Unit
Sold: 1/14/2016



1195 Birch St.
\$1,145,000
6 Units
\$190,833/Unit
Sold: 1/13/2016



1427 Clayton St.
\$615,000
4 Units
\$153,750/Unit
Sold: 12/10/2015

WEST WASHINGTON PARK - 2 Sales (12/1/15 - 03/4/16): Average \$134,893/Unit



41 S. Lincoln St.
\$2,500,000
17 Units
\$147,059/Unit
Sold: 3/4/2016



231 Logan St.
\$1,350,000
11 Units
\$122,727/Unit
Sold: 3/4/2016

DU/SE DENVER - 3 Sales (12/1/15 - 03/1/16): Average \$157,827/Unit



2412 S. York St.
\$1,775,000
11 Units
\$161,364/Unit
Sold: 02/22/2016



2441 S. York St.
\$2,875,000
17 Units
\$169,118/Unit
Sold: 1/19/2016



1865-1871 S. Jackson St.
\$572,000
4 Units
\$143,000/Unit
Sold: 1/14/2016

Source: CoStar

"Thank You for Helping Me Retire"

Real estate investments can lead to a very comfortable retirement, and for some, even an early retirement. We want to congratulate our client Jim on his early retirement from the aerospace industry.

Jim had a very successful career and his retirement party was full of family, friends, gifts and laughter. Admiring stories of his many achievements and accomplishments were celebrated by everyone in attendance. It was especially rewarding for us, when in the middle of the party, Jim stopped and commented, "Thank you for helping me retire. A large reason why I can retire now is due to the work you've done toward my apartment goals."

"Retirement is not an age, it's a financial number."

-Chris Hogan

We were honored to play a part in this milestone. A few years ago we listed and sold Jim's 8-unit property, and moved him up into a 17-unit Capitol Hill gem. We enjoy assisting our clients as they use calculated investment transactions to reach financial freedom. New York Times best-selling author Chris Hogan describes the transition to retirement like this, "It's not an age. It's a financial number."

Jim and his wife enter into retirement healthy and relatively young. Congratulations!



10 Attributes of Great Real Estate Investors

We've had the privilege to work with an array of successful real estate investors during our careers. As we reflect on our clients, we have discovered 10 universal traits that great real estate investors possess. Here are those 10 traits:

1. They are **BOLD**.
What separates them from everyone else is that they are not afraid to start.
2. They are **OPTIMISTIC**.
Simply optimistic that they can find a way to win.
3. They are **AUTHENTIC**.
Focus on being genuine, reliable and trustworthy.
4. They have **GREAT RELATIONSHIPS**.
Success is enhanced once they receive help from others.
5. They know their **STRENGTHS**.
Their struggles develop their strengths. When one goes through hardships and decides not to surrender that is strength.
6. They are **INTENTIONAL**.
No wasted steps or movement. Walk with a purpose each and everyday.
7. They follow a **SIMPLE PLAN**.
Real estate success is a product of reaping and sowing.
8. They **CREATE** multiple income streams.
Investing isn't a dramatic scene at a Vegas casino. Don't go "all in."
9. They are **DRIVEN**.
To use a basketball analogy, they drive to the lane and score.
10. They learn to **DECIMATE DEBT**.
They tackle debt reduction head-on so that it can be eliminated early.

Check out the full presentation on our website:

<https://kmalnati.wordpress.com/2016/03/02/real-estate-mastermind/>

DUSTIN THOME

ON
THE KYLE MALNATI SHOW



Dustin Thome
Vice President of Keller-Lowry
Dustin@KellerLowry.com

"Some people dream of success while others wake up and work hard at it."

~Winston Churchill



For more details search "Kyle Malnati" on YouTube

Navigating Multifamily Insurance

How do you navigate all of the pitfalls of obtaining affordable insurance premiums for your multifamily property in Denver?

Dustin has the answer.

Q:How quickly can you bind coverage?

A: With the right information we can get coverage the same day of a closing, but the more time the better for accuracy and precision.

Q:What are the main items that people should consider when binding coverage?

A: Number 1 is the building coverage limit, which covers fire, wind, hail, theft, and vandalism damage. Specifically look at a full-replacement cost policy. The loss of rent coverage, building ordinance or law, boiler and machinery coverage, and general liability should also be considered.

Q:What are some of the gaps in coverage that you see?

A: With the building coverage limit, make sure you are fully covered in replacement costs. Another area is with detached structures on the property, many assume that these are also covered but this may need to be specifically listed in the coverage.

OUR CURRENT LISTINGS & 2016 SALES



1328 Corona St.
LISTED: \$1,575,000



560-570 Garfield St. (Develop. Site)
LISTED: \$1,500,000



1658 Lafayette St.
UNDER CONTRACT



41 S. Lincoln St.
SOLD: \$2,500,000



2412 S. York St.
SOLD: \$1,775,000



709 E. 11th Ave.
SOLD: \$440,000



1021 Ogden St.
SOLD: \$525,000



1435 Franklin St.
SOLD: \$1,735,000



1195 Birch St.
SOLD: \$1,145,000



4160 W. 74th Ave.
SOLD: \$800,000



964-978 Garfield St.
SOLD: \$1,300,000

Proudly based in Denver, CO, we are a commercial real estate team that specializes in apartment brokerage and investment sales in Central Denver's prime neighborhoods.

Principals, Kyle Malnati and Greg Johnson, provide insight and experience to meet the needs of the private apartment investor. Combined, they have successfully brokered over \$258,000,000 of Colorado real estate for their clients.

The purpose of this newsletter is to provide insight on the direction of the apartment market in Central Denver, and to highlight the transactions that occurred between December 1, 2015 and March 1, 2016.

For more detailed information, or to discuss your investment opportunities, please contact us.

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For more updates check out:
www.DenverApartmentBuildingsForSale.com