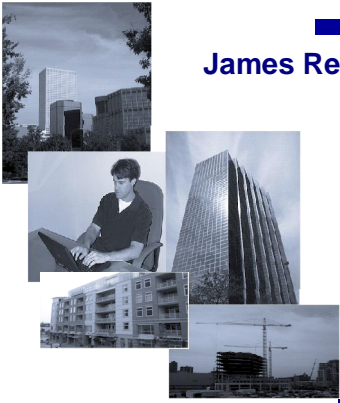


James Real Estate Services, Inc.



Apartment Perspective

News and Analysis about the Denver Metropolitan Apartment Market

Overview

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- 1 The Denver area apartment market continues to soften albeit not as much as the general economy. Denver's apartment vacancy rate continued to increase to 6.5% during the 3rd quarter 2008, up from 6.2% in the second quarter and 6.1% at year-end 2007. These rates are below the year-end 2006 vacancy rate of 7.0%, and 2001 year-end of 8.7%. Vacancies in new construction (built since 2005) also increased to 17.2% up from 12.7% during the second quarter 2008.
- 2 The metro area average rental rate increased 3.7% from \$860 at year-end 2007 to \$892 through the third quarter 2008. 2007 was up 1.3% from the 2006 average rental rate of \$850, which is relatively unchanged from \$848 in 2005. As the economy continues to slow down residents may be hesitant to lease units at higher rates. The overall low vacancy rate will allow for some increase in rental rates but will it be enough to continue to push rents?
- 6 The national economic picture continues to look bleak as major investment firms collapse, major financial institutions are taken over and the big three auto makers ask Congress for a bailout. The number of completed residential foreclosures in Colorado is down 14% through 3rd quarter 2008 from 3rd quarter 2007 but unemployment continues to rise.

Metro Denver Economy

As of October 2008 Colorado unemployment is reported at 5.7% the highest rate since March 2004. One year ago, unemployment was 3.9%. Donald J. Mares, Executive Director of the Colorado Department of Labor and Employment stated "After exhibiting comparable strength during the first quarter of this year, Colorado appears to be succumbing to many of the economic pressures facing the nation and changes in the job market here mirrored those of the national economy in October." Nationally, the unemployment rate rose to 6.5% in October. Many homeowners are being forced back into the rental market from homeownership but conversely due to the large amount of foreclosures, qualified renters are also able to buy single-family residences.

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- Vacancy, net absorption and development trends page 3
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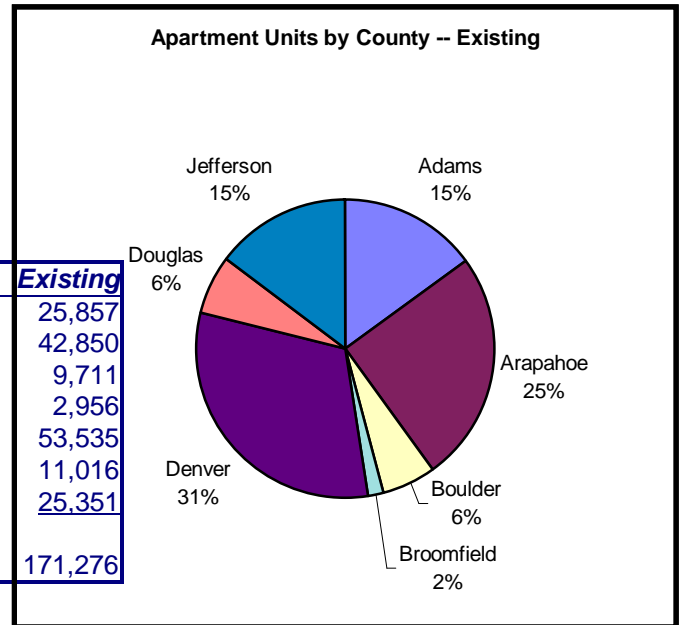
Metro Denver Apartment Market

The metropolitan Denver apartment market contains a total of 171,276 existing units in buildings or communities of at least 50 units as of January 1, 2009. The United States Census Bureau defines the metropolitan Denver area as Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas and Jefferson counties.

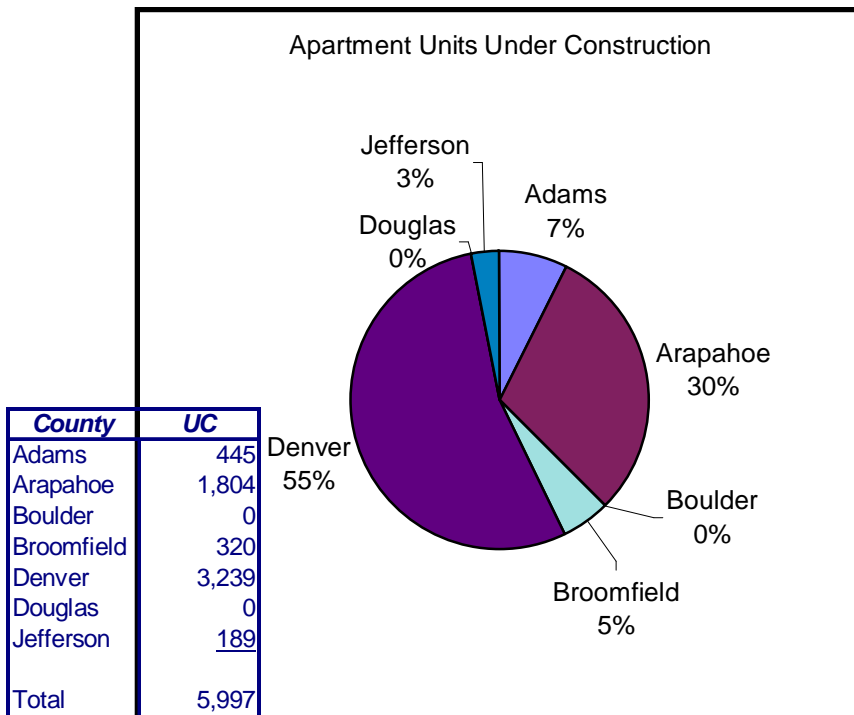
This inventory excludes public housing, on-campus student housing and apartments limited solely to senior residents. Changes in the total number of units occur due to the addition of new apartments and the removal of units from the rental inventory due to condominium conversions or demolitions.

According to Pierce-Eislen, a national apartment market research company based in Scottsdale, Arizona, there were 32 apartment projects with 6,709 units under construction in metro Denver on October 1, 2008 including 2 recently started communities—Seasons at Cherry Creek, Phase II with 148 units and Vista Lofts with 89 units near the University of Denver. According to the Denver Metro Apartment and Vacancy Survey conducted by Dr.

County	Existing
Adams	25,857
Arapahoe	42,850
Boulder	9,711
Broomfield	2,956
Denver	53,535
Douglas	11,016
Jefferson	25,351
Total	171,276



Gordon Von Stroh for the Apartment Association of Metro Denver (AAMD), the market had absorption of 3,263 units through third quarter 2008. This compares to a total net absorption of 4,644 for 2007, 2,709 for 2006, and 8,126 in 2005, the greatest amount since 1995. All but two of the current projects are new construction. CrestPoint at High Street by Coughlin and Company and RW Flats by Urban Village are major renovations of existing 1960s era high-rise apartments. And pre-leasing activity has begun on Trademark Communities' 114 unit Colorado Commons at East 16th Avenue and Colorado Boulevard.



According to Pierce-Eislen, while many units were under construction, developers completed no entire apartment projects during the third quarter of 2008. The Denver Metro Apartment Vacancy and Rent Survey, reports that a total of 1,605 individual units were completed in the third quarter of 2008. During the third quarter, 237 units were started and a total of 2,099 units have been started since the beginning of the year. While this indicates a slow down, apartment construction still remains strong with more than 6,700 units currently under construction. While the reduced availability of apartment financing and the softened economy will certainly limit development, nearly 18,000 units are proposed for construction and more than 15,000 units are under consideration by developers for later development.

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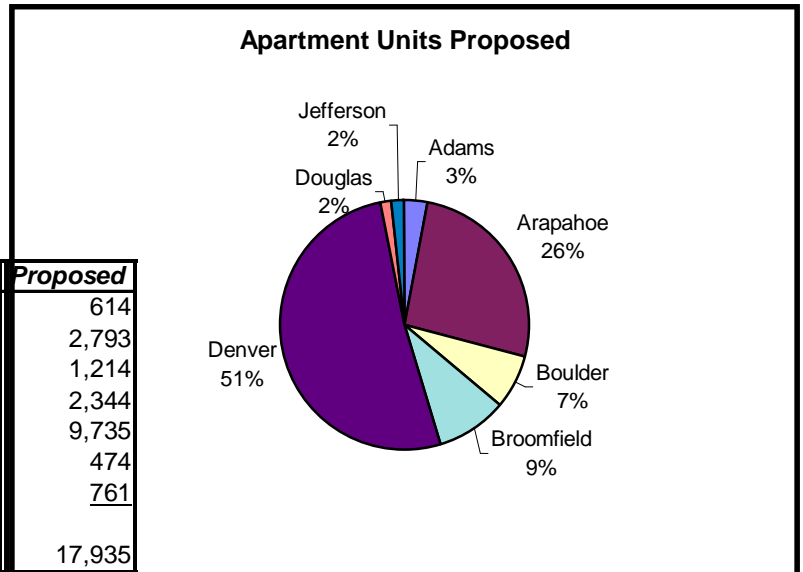
Metro Denver Apartment Market (continued)

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Construction costs have begun to decrease which might cause some developers to start construction sooner. Most of the 74 proposed apartment communities are slated to begin construction by mid-year 2009 including 1800 Market Street, Alexan @ Littleton Station, Alexan @ Prospect Place, Broadstone at Cornerstar, Cantania at Broomfield, Osage Courts, Renaissance at River Front, Sanctuary at Talon's Reach and Terracina. If all of these communities begin construction over the coming year, an additional 2,615 units will be in the production pipeline.

The excess of construction will not be eliminated until likely 2010. If developers move some of the nearly 18,000 units considered into construction the excess may not be eliminated until 2011 or later. Boulder and Douglas counties are the only two counties without any current apartment construction underway. But all metro area counties have some units proposed for development. Denver County has the highest number of units under construction with 3,239 units as well as proposed with 9,735 units.

County	Proposed
Adams	614
Arapahoe	2,793
Boulder	1,214
Broomfield	2,344
Denver	9,735
Douglas	474
Jefferson	761
Total	17,935

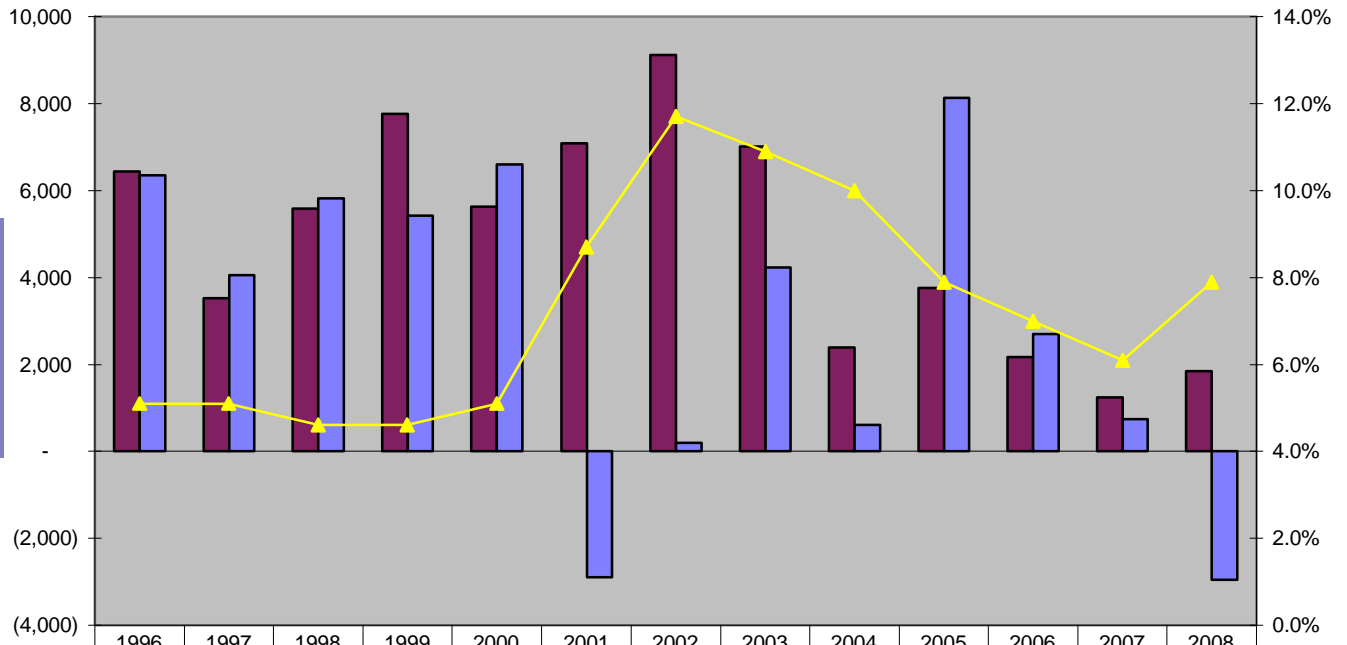


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Metro Denver Apartment Market (continued)

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While the apartment market adapts to the economy, there are wide ranges of conditions by submarket. Four submarkets report double-digit vacancy rates and include Aurora North (13.7%), Aurora Central Northeast (13.0), Aurora Central Southeast (10.0%) and Longmont (10.5%). Eight of the market segments report vacancy rates of 5.0% or lower including Arapahoe County—South (4.4%), Littleton (4.4%) the Boulder segments (University and Non-University) ranging from 1.1% to 3.6%, Denver East-Central at 4.4%, Denver North-Central (4.0%) and Denver West-Central (4.5%).



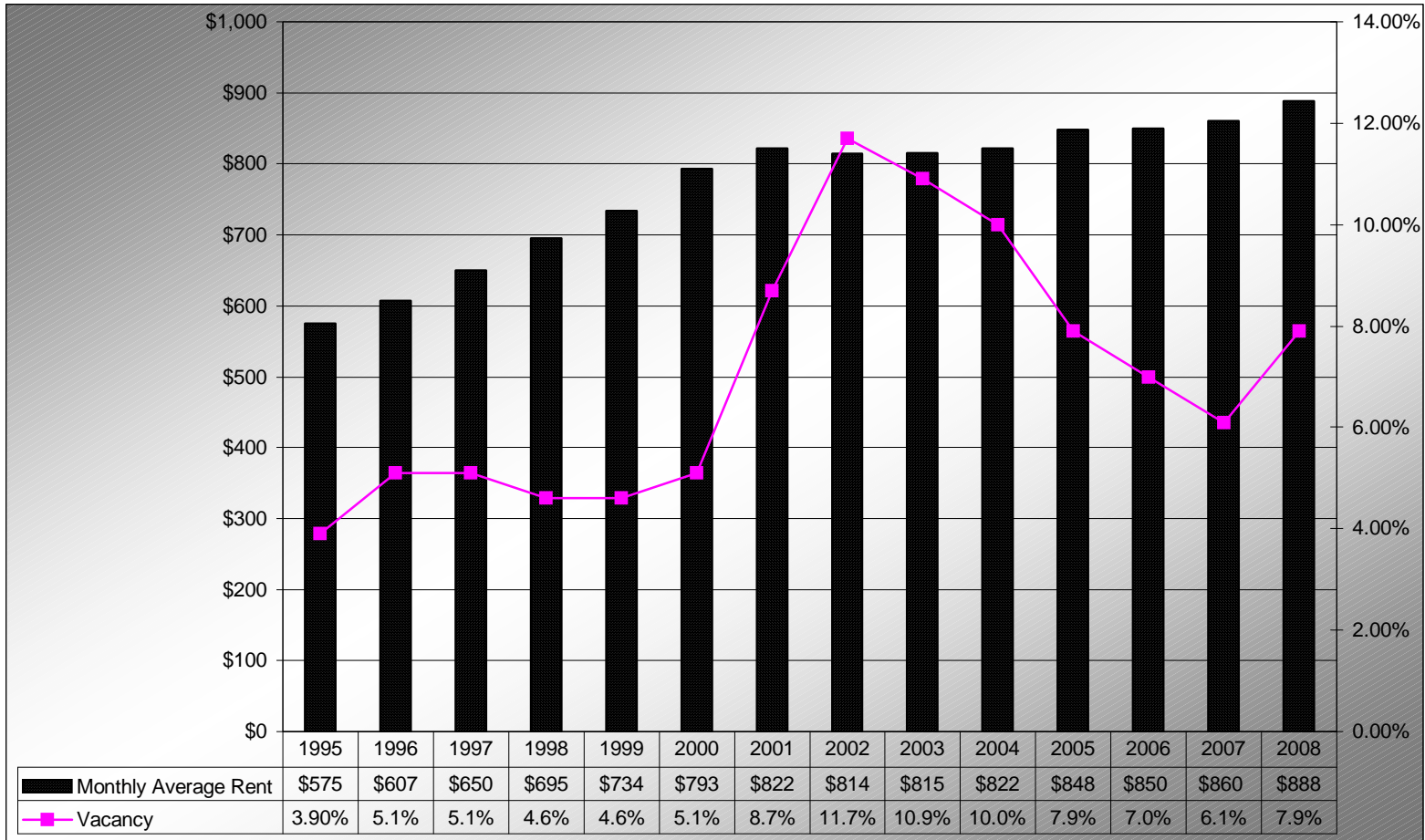
VACANCY, NET ABSORPTION AND DEVELOPMENT TRENDS IN METROPOLITAN DENVER

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
New Units Completed	6,445	3,526	5,594	7,761	5,626	7,095	9,123	7,018	2,398	3,768	2,171	1,257	1,854
Net Unit Absorption	6,355	4,058	5,818	5,432	6,604	(2,904)	197	4,239	607	8,126	2,709	735	(2,949)
Percent Vacant	5.1%	5.1%	4.6%	4.6%	5.1%	8.7%	11.7%	10.9%	10.0%	7.9%	7.0%	6.1%	7.9%

(Continued on page 5)

Metro Denver Apartment Market (continued)

(Continued from page 4)



While vacancy rates are highest in apartment communities with higher rents, demand is steady for “affordable” apartments, especially those using tax credit or bond financing. Developers are delving more deeply into this segment, especially in middle-income areas like Brighton, Commerce City and Longmont. However, due to the overall softness of the market HUD still has metro Denver on its “market watch” list, limiting the opportunities for funding from that source to only projects oriented to residents with the lowest incomes. Boulder County primarily Boulder and Longmont have been removed from the market watch status as rental market conditions have sufficiently improved.

Rising interest rates helped contribute to the stabilization of the apartment market, but rates are once again declining for qualified borrowers. Much of the reduction of net absorption for apartments in Denver in the past was attributed to residents buying houses, townhouses and condominiums. Property managers now report former residents returning to apartment rental due to foreclosures. However, the overall employment market might upset the balance.

Overall, the apartment market will likely continue to stabilize well into 2009 with reduced construction activity and limited job growth. Both rental rates and vacancy have increased recently and they are expected to continue these trends or stabilize. A large amount of new construction is currently underway and developers have plans to commence several projects, but financing and feasibility limitations could constrain new development.

Apartment Sales During 2008

In the third quarter of 2008, investors purchased 10 apartment communities in the Denver metro area with 50 or more units. Sales total more than \$233.4 million for 2,443 units for an average unit price of \$95,569. The sales all occurred prior to the collapse of the financial market which occurred in October 2008. The majority of these sales were large 100 unit or more communities purchased by mainly investors. It will be interesting how the buyer dynamic changes with the financial crisis as well as Wall Street softening.

During the first half of 2008, investors purchased 24 apartment communities in metro Denver with 50 or more units. 3,664 units sold during the first half of the year for nearly \$290.0 million or \$78,900/unit.

In 2007, 59 apartment communities were purchased with a total dollar volume over \$1.4 billion and an average sale price of \$86,104/unit. Denver County topped the market with sales over \$669.5 million followed by Arapahoe County with sales over \$465.4 million. Adams County with sales over \$116.6 million was in third place followed closely by Jefferson County with sales over \$90.8 million and Boulder County rounded out the top five with sales at \$48.6 million.

2006 was a record setting year as the apartment sale volume reached \$1.9 billion up 26.0% from \$1.5 billion in 2005. Sales in the apartment market are anticipated to continue especially with the continued collapse of the single family housing market. The sub-prime market is not expected to complete its cycle of adjustments until 2009 indicating that foreclosure starts due to this type of financing will not finish until that time or longer. Plus, the illiquidity of the single family market and halting development is making it difficult for qualified buyers to obtain financing. Further declines in the vacancy rate are anticipated which in turn will increase rental rates continuing to drive demand from investors.

Information about sales and conversions is obtained from published sources, including Costar-Comps.com and from buyers, sellers, or converters and should be verified for accuracy.

Forecast 2009

Overall, the apartment market is expected to continue to slide with increasing vacancy rates and decreasing rental rates in response to current economic conditions. Until the job market begins to recover it is unlikely that the apartment market will show signs of recovery.

Renters will likely begin to see more concessions in all types of apartment communities as managers and owners try to retain tenants and fill vacant units. Currently concessions are not offered in well-established communities but are still offered in newly constructed and newly renovated properties. However this trend may change as higher vacancy rates are observed.

The halted single family market limiting new product, the high number of foreclosures yet to be absorbed and the continued illiquidity of the mortgage market will increase pressure on the single family home market and increase demand for apartment units but increased unemployment will offset this.

Apartment sales will remain slow due in part to lack of available financing or higher financing costs and higher equity requirements. With increasing vacancy rates and decreasing rental rates it will be difficult to market properties for higher values. Sellers may find that they are not able to sell the asset for their purchase price.

Overall economic conditions are expected to continue to slow the Denver market from both an investor and developer perspective.

Addenda

The following lists include:

Apartment communities:

- Started during the 4th quarter of 2008.
- Completed during the 4th quarter of 2008.
- Under construction as of January 1, 2009.
- Proposed and most likely to start construction during 2009.

Apartment Communities Started—4th Quarter 2008

NAME	STREET	SUBMARKET	COUNTY	UNITS	DEVELOPER
Alexan @ Littleton Station	5101 S. Rio Grande	Littleton	Arapahoe	350	Trammell Crow Residential
Alexan @ Prospect Place	NWC 29th Avenue/Inca Street	Denver Central	Denver	400	Trammell Crow Residential
Broadstone @ Cornerstar	SWC Parker Rd & Arapahoe	Aurora	Arapahoe	400	Alliance Residential
Osage Courts	SWC 13th Avenue/Osage Street	Denver Central	Denver	100	Josh Comfort
Sanctuary @ Tallyn's Reach	SWC E-470 & Arapahoe Road	Aurora	Arapahoe	507	Simpson Housing Group
			Total	<u>1,757</u>	

Apartment Communities Completed — 4th Quarter 2008

NAME	STREET	SUBMARKET	COUNTY	UNITS	DEVELOPER
21 Fitzsimons	NEC & NWC E. 22nd Ave & Ursula	Aurora	Adams	240	Pauls Company
21 Fitzsimons, Phase II	E. Colfax Ave/Ursual Street	Aurora	Adams	340	Pauls Corporation
				<u>580</u>	

Apartment Communities Under Construction—4th Quarter 2008

NAME	STREET	SUBMARKET	COUNTY	UNITS	DEVELOPER
12th & Elati Residences	420 West 12th Avenue	Denver Central	Denver	63	Burgwyn & Company
816 Acoma Residential Tower	816 Acoma Street	Denver Central	Denver	220	Hanover Company
Alexan @ Arista	8200 Arista Place	Westminster	Broomfield	320	Trammell Crow Residential
Alexan @ Belmar (Blk 11)	Center Avenue & Saulsbury Street	Lakewood	Jefferson	189	Trammell Crow Residential
Alexan @ Broadway Station	NWC Broadway & Mississippi Ave	Denver South	Denver	419	Trammell Crow Residential
AMLI @ Inverness	Drycreek Road @ Inverness	Englewood	Arapahoe	309	Embry Partners
Asbury Park Apartments	2000 South Josephine Street	Denver South	Denver	77	Donald MacKenzie
City Lights	325 Sable Boulevard	Aurora	Arapahoe	288	Embry Partners
Bradburn Mixed Use	W. 120th Ave @ Federal Blvd	Westminster	Adams	60	Richard Patterman
Broadstone @ Ball Park Lofts	2101 Market Street	Denver Central	Denver	226	Alliance Residential
Broadstone @ Avena	SEC 104th Avenue & Marion Street	Thornton	Adams	385	Alliance Residential
Broadstone @ Southlands	NEC Smoky Hill & Aurora Prkwy	Aurora	Arapahoe	300	Alliance Residential
Clay Street Residences	SWC 28th Avenue & Clay Street	Denver West	Denver	55	Burgwyn & Company
Colorado Commons	NWC 16th Avenue & Colorado	Denver Central	Denver	114	Trademark Communities
CrestPoint @ High Street	1375 High Street	Denver Central	Denver	54	Coughlin & Company
Lincoln Terrace	501 Lincoln Street	Denver Central	Denver	75	Pacificap Properties
Niagra	NEC E. Monaco St/E. Union Ave	Denver South	Denver	201	Fairfield Residential
Paloma Villa III	4201-4275 Morrison Road	Denver West	Denver	50	MGL Partners
Park Avenue Hope VI Phase 3	EC Park Avenue West & Tremont	Denver Central	Denver	91	Denver Housing Authority
Platte River Lofts @ Sheridan	NEC S Platte River Dr/Hampden Ave	Sheridan	Arapahoe	316	Embry Partners
Presido	4520- 4540 S. Monaco Parkway	Denver South	Denver	398	Fairfield Residential
RW Flats	101 Grant Street	Denver Central	Denver	74	Urban Village
Renaissance Riverfront Lofts	SEC Park Ave West & Globeville Rd	Denver Central	Denver	100	Colorado Collation for Hmlss
Seasons at Cherry Creek Phase II	3498 East Ellsworth Avenue	Denver Central	Denver	148	RedPeak Properties
Somerset (renovation)	818 Logan Street	Denver Central	Denver	81	Rozeboom & Co.
Sterling Ridge	SC Villanova & Sterling Hills Parkway	Aurora	Arapahoe	126	Northstar Residential
Stoneridge @ Saddle Rock East	NWC 470 & Arapahoe Road	Aurora	Arapahoe	263	Embry Partners
Streets @ Southglenn	SWC Arapahoe Rd & University	Littleton	Arapahoe	202	Alberta Development
Talavera	NEC Jackson St/E. Dakota Ave	Denver East	Denver	240	Fairfield Residential
Union Avenue Apartments	6515 East Union Avenue	Denver South	Denver	270	Fairfield Residential
Uptown Apartments	NWC 19th Ave & Clarkson St	Denver Central	Denver	194	Martin Fien Investment
Vista Lofts	1920 South University Blvd	Denver South	Denver	89	Campus Apartments
			Total	5,997	

Apartment Communities Proposed

NAME	STREET	SUBMARKET	COUNTY	UNITS	DEVELOPER
1000 Speer Mixed Use	1000 Speer Boulevard	Denver Central	Denver	200	Snavelly Development
1800 Market Street	NEC 18th Avenue/Market Street	Denver Central	Denver	318	Corum R.E. Group
520 Golden Ridge Road Apts.	520 Golden Ridge Road	Golden	Jefferson	306	NexCore Group
719 Arapahoe	719 Arapahoe Street	Golden	Jefferson	50	Cox Faris
11th Avenue/Gaylord St Apts.	11th Avenue/Gaylord Street	Denver Central	Denver	100	MGL Partners
18th Street & Bassett St Apts.	18th Street & Bassett Street	Denver Central	Denver	133	Windsor Communities
Alexan @ Park Avenue	19th-20th Aves/Ogden-Emerson	Denver Central	Denver	325	Trammell Crow Residential
Arvada Ridge	SWC Ridge Road & Kipling Street	Arvada	Jefferson	320	Peregrine Group Devel.
Avenue Apartments	NEC Havana ST & Lincoln Ave	Douglas Co.	Douglas	284	DTC - Shea Properties
AXIS	Westminster Blvd/Promenade Dr	Westminster	Adams	209	Urban Pacific Builders
Belleview Station, Phase I	NWC I-25 & Bellview Avenue	Denver South	Denver	247	Hanover Company
Broadstone @ Blake	2120 Blake Street	Denver Central	Denver	180	Alliance Residential
Broadstone @ Parker Station	SEC Dartmouth Ave & Kenton St	Denver South	Denver	210	Alliance Residential
Cantania @ Broomfield	SWC Via Varra & Carbon Road	Broomfield	Broomfield	297	AG Spanos
Casa de Rosa	750 Vrain Street	Denver West	Denver	54	Medici Communities
City House	2075 E. 18th Avenue	Denver Central	Denver	393	East West Partners
Colorado Center	NWC Asbury Avenue/I-25	Denver South	Denver	185	Lincoln Property Co.
Cosmopolitan Club Luxury Senior	2101 15th Street	Denver Central	Denver	214	Balfour
Denver Union Station	SWC 18th St/Wewatta Street	Denver Central	Denver	400	Continuum Partners
DHA Park Avenue Redevelopment	Block 4B Park Ave/Tremont	Denver Central	Denver	83	Denver Housing Authority
East 18th/20th Ave Apartments	E. 18th Ave/E. 20th Ave	Denver Central	Denver	300	Trammell Crow Residential
Eastbridge @ Stapleton	SEC Geneva St/29th Avenue	Denver East	Denver	118	Forest City-Stapleton
Elmendorf	NEC Tower Rd/Elmendorf	Denver East	Denver	350	Gage Davis Associates
Esplanade	NEC Josephine & Colfax Avenue	Denver Central	Denver	261	St. Charles Town Co.
Fairweather Landing	10401 N. Motesbocker Road	Parker	Douglas	110	Trademark Communities
Gates Rubber Factory Redevelop.	NEC Santa Fe Dr/Mississippi	Denver South	Denver	1300	Cherokee Investment
Grandview Meadows Ph. 3	620 Grandview Meadows Drive	Longmont	Boulder	296	M. Timm Development
Hampden Town Center	E. Manfield Avenue/S Dayton St	Denver South	Denver	168	Equity Residential
High Rise Towers @ Stapleton	E. 26th Dr/Central Park Blvd	Denver East	Denver	250	Forest City Enterprises
Highlands Apartments	Speer & Alcott	Denver West	Denver	318	Allied Realty Services
Hover Crossing	NEC Hover Street/17th Avenue	Longmont	Boulder	100	Cook, Jon
I-25 @ Lincoln	I-25/Lincoln Avenue	Highlands Ranch	Douglas	80	Capital Real Estate
Interlocken Apartments	U-36/Interlocken	Broomfield	Broomfield	297	AG Spanos
Interlocken East	Hwy 128 & Boulder Turnpike	Broomfield	Broomfield	600	Hines Interest
Interlocken East Phase II	US 36 NW Interlocken Blvd	Broomfield	Broomfield	650	Camden Property Trust
Kettle Lake	4801 S. Monaco Parkway	Denver South	Denver	300	DTC - Shea Properties
Lake Ridge	12400 West Bowles Avenue	Littleton	Jefferson	85	Essex Corporation
Lodge @ Hover Crossing	SEC 18th Avenue/Cook Street	Longmont	Boulder	50	Longmont Hsg Authority
Lowry Hangar 2	7711 E. Academy Way/Rampart Wy	Denver South	Denver	230	International Risk Group
Lux @ DU	SEC Evans Avenue & University	Denver South	Denver	120	Lux @ DU LLC
McKenzie Junction	Diagonal Hwy/Foothills Pkwy	Boulder	Boulder	344	Trammell Crow Residential
Manhattan Phase II	1850 Bassett Street	Denver Central	Denver	134	Windsor Communities
Marycrest	2851 West 52nd Avenue	Denver West	Denver	138	Sisters of St. Francis
Maxwell Place	Renaissance Dr/Heathermill Cir	Longmont	Boulder	50	Chanin Development
Orchard Town Center	NEC Huron St/144th Avenue	Broomfield	Broomfield	500	Forest City Enterprises

Apartment Communities Proposed—continued

Palisades @ Fitzsimons Village	NW & NECs 13th Place/Victor St	Aurora	Arapahoe	414	Hibernia Holdings
Panorama Pointe Sr. Apts.	SWC 84th Way	Westminster	Adams	75	Elkco Properties
Park Avenue Hope VI Phase IV	240 Park Avenue	Denver Central	Denver	83	Denver Housing Authority
Park Hill	4000 Colorado Boulevard	Denver East	Denver	72	City & County of Denver
Pillar of Fire 254 Mixed Use	84th Ave/Federal Blvd	Westminster	Adams	50	Diversified Real Estate Grp
Pinnacle Station	2150 Bryant Street	Denver West	Denver	340	AG Spanos
Prospect Village	NWC Iliff Road/Parker Avenue	Aurora	Arapahoe	328	GenCap
Residences At Twenty-Ninth Street	NEC 29th Street	Boulder	Boulder	240	Lou DellaCava
Residences At Vulcan Ironworks	1401 Osage Street	Denver Central	Denver	250	Carmel Company
Riverton	Santa Fe/Hampden Ave	Englewood	Arapahoe	316	David J. Erb & Company
Rockmont Residential Phase I & II	3500 Rockmont Drive	Denver Central	Denver	50	Alliance Residential
Sanctuary @ Tallyn's Reach	SWC E-470 & Arapahoe Road	Aurora	Arapahoe	507	Simpson Housing Group
Skyline Apartments	2826 Zuni Street	Denver Central	Denver	84	Engineering Partners
Solera	1956 Lawrence Street	Denver Central	Denver	118	Zocalo Community
St. Francis Cornerstone	2307 Curtis Street	Denver Central	Denver	51	Rocky Mountain HDC
Tamarac Village	3300 South Tamarac Drive	Denver South	Denver	600	AIMCO
University Park Station	2400 Asbury Avenue	Denver South	Denver	171	MacKenzie House
University Station	2075 Buchtel Boulevard	Denver South	Denver	210	Mile High Development
Uptown Broadway Phase II	4580 Broadway Street	Boulder	Boulder	56	Coburn Development
Uptown Lofts	NWC Pearl St & E. Colfax Avenue	Denver Central	Denver	99	Colo. Collation for Hmlss
Welby Station	E. 88th Ave/Welby Road	Thornton	Adams	280	New Town Builders
Windermere	5800 South Datura Street	Littleton	Arapahoe	128	Wilson Properties
Village Center Station	Arapahoe Rd/Dayton Station	Greenwood Village	Arapahoe	350	Shea Properties
Violet Crossing	4474 Broadway Street	Boulder	Boulder	78	Palmos Development Co.
Zuni Senior	3015 Zuni Street	Denver Central	Denver	78	Colo. Housing & Finance
			Total	16,685	