



MULTIFAMILY REPORT

# Denver Prepares To Spring Back

Summer 2021

**RISE Denver to Boost Job Sector**

**Rent Expansion Gains Momentum**

**Metro to Receive \$166M in Direct Stimulus Aid**

# DENVER MULTIFAMILY



## Recovery Strategies Start Taking Shape

As Denver gradually enters its recovery phase, local authorities are implementing Denver's Rebuilding for an Inclusive and Sustainable Economy plan—dubbed RISE Denver—over the coming months. As the metro lays the groundwork for a phased rebound, multifamily rates have also begun to improve: As of April, rents were up 0.5% on a trailing three-month basis, to \$1,578, above the \$1,417 U.S. average.

As of March, unemployment stood at 6.4% in Colorado and 6.7% in metro Denver, both slightly above the 6.0% March national rate, according to preliminary data from the U.S. Bureau of Labor Statistics. Aimed at addressing the heavy employment loss in the city and focused on the hardest-hit businesses, workers and communities, one of RISE Denver's main priorities is to create 40,000 jobs by the end of 2022. Furthermore, as part of the recovery strategy, Mayor Michael B. Hancock will send a proposal for a \$400 million bond package to city council for referral to the November ballot.

Denver had 21,185 units under construction as of April, with 81% of those targeting high-income renters. The largest share (68%) of the pipeline is expected to come online by year-end. Meanwhile, investment sales were off to a strong start in 2021, with 22 assets totaling 4,768 units sold for a combined \$1.3 billion in the first four months of the year.

## Market Analysis | Summer 2021

### Contacts

#### Jeff Adler

Vice President & General Manager of Yardi Matrix  
[Jeff.Adler@Yardi.com](mailto:Jeff.Adler@Yardi.com)  
(303) 615-3676

#### Jack Kern

Director of Research and Publications  
[Jack.Kern@Yardi.com](mailto:Jack.Kern@Yardi.com)  
(800) 866-1124 x2444

#### Ron Brock, Jr.

Industry Principal, Matrix  
[JR.Brock@Yardi.com](mailto:JR.Brock@Yardi.com)  
(480) 663-1149 x2404

#### Author

#### Timea-Erika Papp

Senior Associate Editor

On the cover: Photo by Veronique Duplain/iStockphoto.com

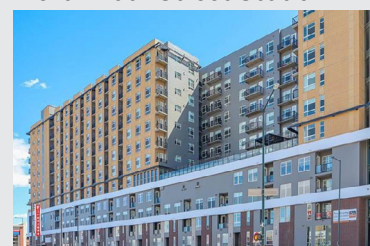
### Recent Denver Transactions

#### Forum Fitzsimons



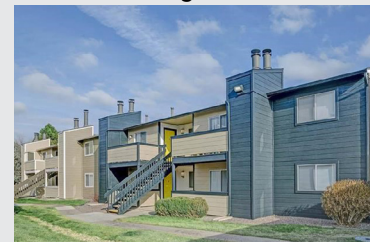
City: Aurora, Colo.  
Buyer: Avanti Residential  
Purchase Price: \$158 MM  
Price per Unit: \$400,000

#### Alexan 20th Street Station



City: Denver  
Buyer: Blackstone Group  
Purchase Price: \$130 MM  
Price per Unit: \$367,232

#### Westward Heights



City: Federal Heights, Colo.  
Buyer: Marble Partners  
Purchase Price: \$51 MM  
Price per Unit: \$231,818

#### Echo Ridge at North Hills

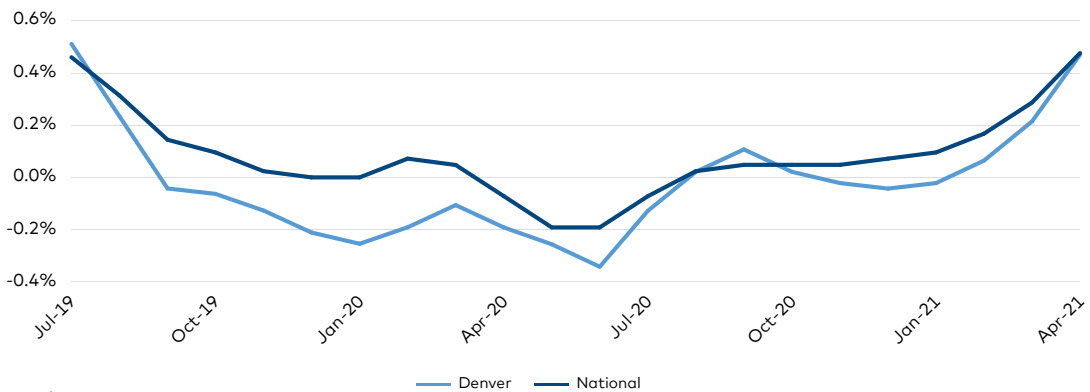


City: Northglenn, Colo.  
Buyer: Pathfinder Partners  
Purchase Price: \$44 MM  
Price per Unit: \$262,202

## RENT TRENDS

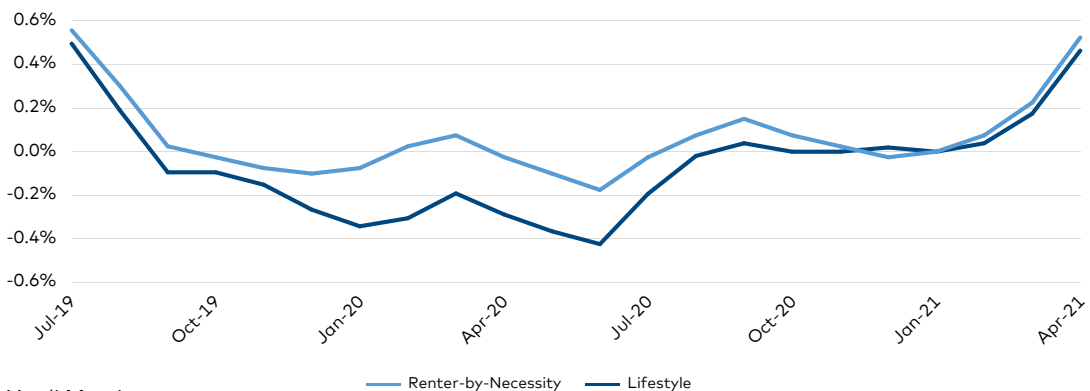
- ▶ Denver rents increased 0.5% on a trailing three-month (T3) basis as of April, in line with the U.S. rate. The average rent in the metro was \$1,578, slightly above the \$1,417 U.S. average. Rent evolution in Denver was negative through the first half of 2020 and stalled through the remainder of the year, with the flat growth carrying into early 2021. Rent expansion picked up in February, with the positive trend enduring through April.
- ▶ Rent gains across the quality spectrum were mostly even. Lifestyle rates were up 0.5% to \$1,743 on a T3 basis as of April, while working-class Renter-by-Necessity rents were also up 0.5%, to \$1,351. Rates gained momentum over the first quarter of 2021, following several months of flat-to-moderate evolution.
- ▶ Brighton (5.4% to \$1,534), Aurora-Southwest (5.0% to \$1,369) and Arvada (4.6% to \$1,430) were among the leading submarkets for rent growth in the 12 months ending in April. Rates in Boulder—the most expensive submarket—rose 2.0% to \$2,029.
- ▶ Since the Colorado Department of Local Affairs launched its Emergency Housing Rental Assistance Program at the beginning of the health crisis, the state has received some 54,200 applications—through May 2021—totaling more than \$194 million, according to the program dashboard. Of those, more than 12,000 applications came from Denver County, totaling nearly \$47 million.

### Denver vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

### Denver Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

## ECONOMIC SNAPSHOT

- ▶ As of March, unemployment stood at 6.4% in Colorado and 6.7% in metro Denver, both slightly above the 6.0% March national rate, according to preliminary data from the U.S. Bureau of Labor Statistics. Unemployment in Denver peaked at 12.4% in April 2020, but the rate has been steadily correcting since then.
- ▶ In the 12 months ending in February, the metro lost a total of 107,000 jobs, with leisure and hospitality carrying the weight of employment cuts—the industry lost 50,100 positions (-22.8%), followed by the government sector, down 20,200 jobs or -6.5%. As of February, the only industry to record gains was trade, transportation and utilities, which added 2,900 jobs (up 0.8%). In February, the Colorado Department of Labor and Employment launched a three-week campaign dubbed Reemploy Colorado, which offered job-search support, workshops and virtual hiring events.
- ▶ The \$1.9 billion stimulus bill provides a total \$5.7 billion for Colorado, with \$3.8 billion allocated to the state, \$1.1 billion to counties, \$551 million to metro areas and \$265 million for local governments with 50,000 or less residents. Nineteen of the state's metro areas will be granted direct aid, while metro Denver will receive an estimated \$166 million.

### Denver Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
40	Trade, Transportation and Utilities	356	18.5%
55	Financial Activities	130	6.8%
50	Information	63	3.3%
30	Manufacturing	117	6.1%
80	Other Services	71	3.7%
65	Education and Health Services	244	12.7%
15	Mining, Logging and Construction	137	7.1%
60	Professional and Business Services	340	17.7%
90	Government	292	15.2%
70	Leisure and Hospitality	169	8.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ The metro gained 26,400 residents in 2020 (0.9%), based on estimates from the U.S. Census Bureau, while the U.S. gained more than 1.1 million residents, for a 0.4% uptick.
- ▶ Over the past decade, Denver's population grew by 17% (436,600 residents), well above the 6.5% U.S. rate.

### Denver vs. National Population

	2016	2017	2018	2019
National	323,071,342	325,147,121	327,167,434	328,239,523
Denver Metro	2,857,549	2,892,979	2,932,415	2,967,239

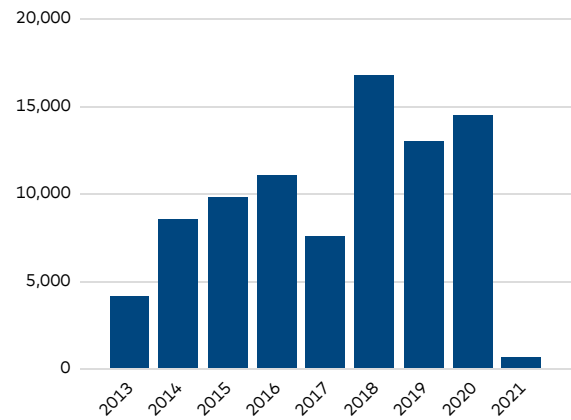
Sources: U.S. Census, Moody's Analytics

## SUPPLY

- ▶ Denver had 21,185 units under construction as of April, with 81% of the those aimed at high-income renters. The largest share (68%) of the pipeline is expected to deliver this year, with the remainder scheduled to come online over the next two years. As of April, Denver had an additional 89,900 units in the planning and permitting stages. Year-over-year, occupancy in Denver increased by 90 basis points as of February.
- ▶ Developers completed 1,629 units in the first four months of 2021, totaling 0.6% of total stock and in line with the U.S. figure. New deliveries favored the Lifestyle segment—three-quarters of the completed properties were upscale communities. Construction in Denver has been trending upward since 2013, with developers adding an average 10,700 apartments per year to stock. Deliveries peaked at 16,850 in 2018.
- ▶ Developers broke ground on 9,777 units across 51 properties in the 12 months ending in April. Despite the challenges facing the real estate industry, the figure marked an 11% improvement from the one recorded during the previous 12 months, when developers broke ground on 8,780 units across 38 properties.

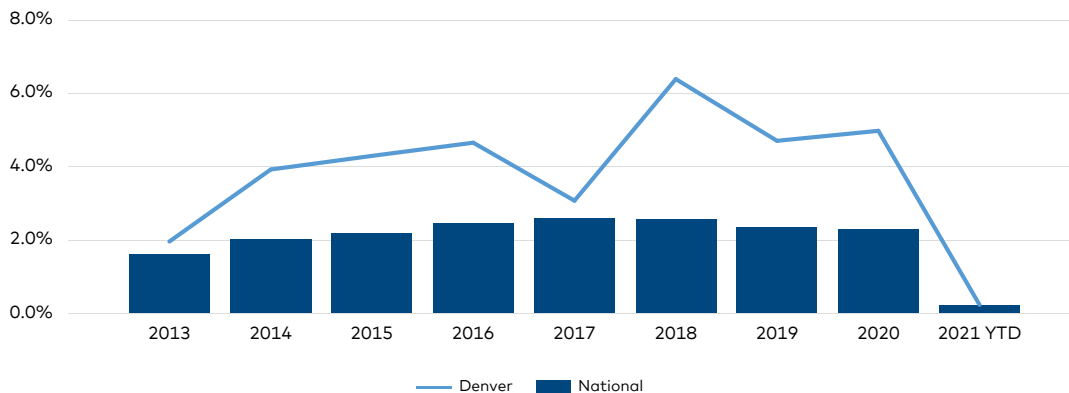
- ▶ As of April, CBD/Five Points/North Capitol Hill (5,532 units) led development, accounting for 26% of the total pipeline. Broomfield/Todd Creek (1,295 units) and Westminster (1,227 units) rounded out the top three. The X Co. and PMG's 443-unit X Denver, slated for delivery in early summer, was the largest development underway.

**Denver Completions** (as of April 2021)



Source: Yardi Matrix

**Denver vs. National Completions as a Percentage of Total Stock** (as of April 2021)



Source: Yardi Matrix

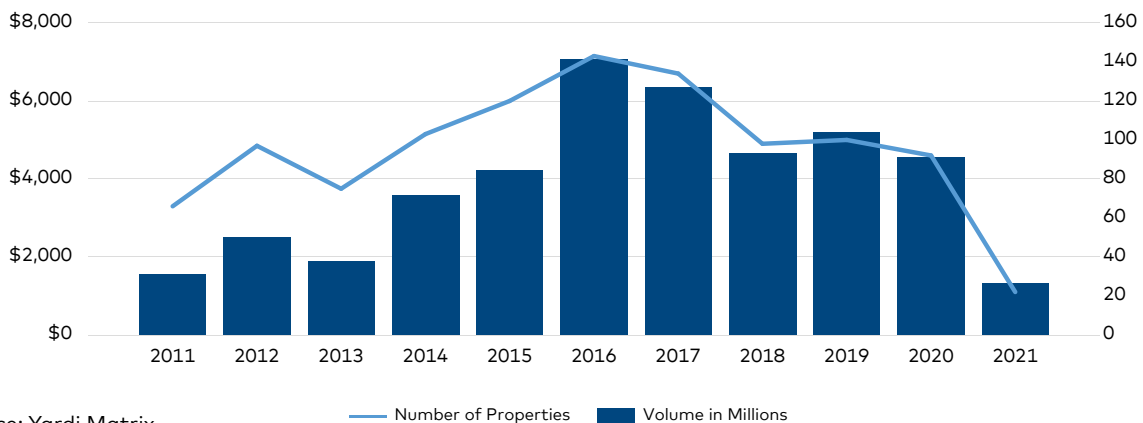
## TRANSACTIONS

- ▶ In 2021, 22 assets sold for a total \$1.3 billion through April. Some \$4.5 billion in rental assets had traded in 2020, down 12.5% since 2019, but nearly on par with 2018 levels. In the past decade, volume peaked at \$7.1 billion in 2016 in the metro, and has moderated each subsequent year.
- ▶ A total of 23,315 units were sold in the 12 months ending in April. Investors focused on the Lifestyle segment—of the 86 properties that traded, more than half (65%) are Lifestyle

communities, while only 30% cater to the RBN segment and 5% are fully affordable assets. As of April, the average per-unit price stood at \$285,919, marking an 18% climb over the 2019 average and well above the \$170,513 U.S. figure.

- ▶ Avanti Residential's \$158 million acquisition of the 397-unit Forum Fitzsimons in Aurora–Westcentral was the largest deal so far this year. Catalina Development sold the asset for \$400,000 per unit.

### Denver Sales Volume and Number of Properties Sold (as of April 2021)



Source: Yardi Matrix

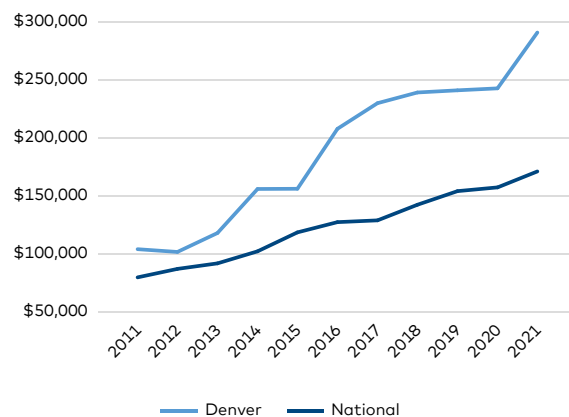
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Northglenn/Thornton	674
CBD/Five Points/ North Capitol Hill	644
Douglas County–North	398
Broomfield/Todd Creek	307
East Colfax/Lowry Field/ Stapleton	299
Champion	254
Aurora–Westcentral	237

Source: Yardi Matrix

<sup>1</sup> From May 2020 to April 2021

### Denver vs. National Sales Price per Unit



Source: Yardi Matrix

## Top 5 Western Markets for Multifamily Transactions

By Jeff Hamann

Multifamily investment stayed moderate into the new year. According to Yardi Matrix data, in the first two months of 2021, transaction volume nationwide hit \$16.9 billion. While a far cry from the \$38.6 billion in deals closed in the fourth quarter of last year, investors are continuing to seek out deals even amid ongoing economic uncertainty.

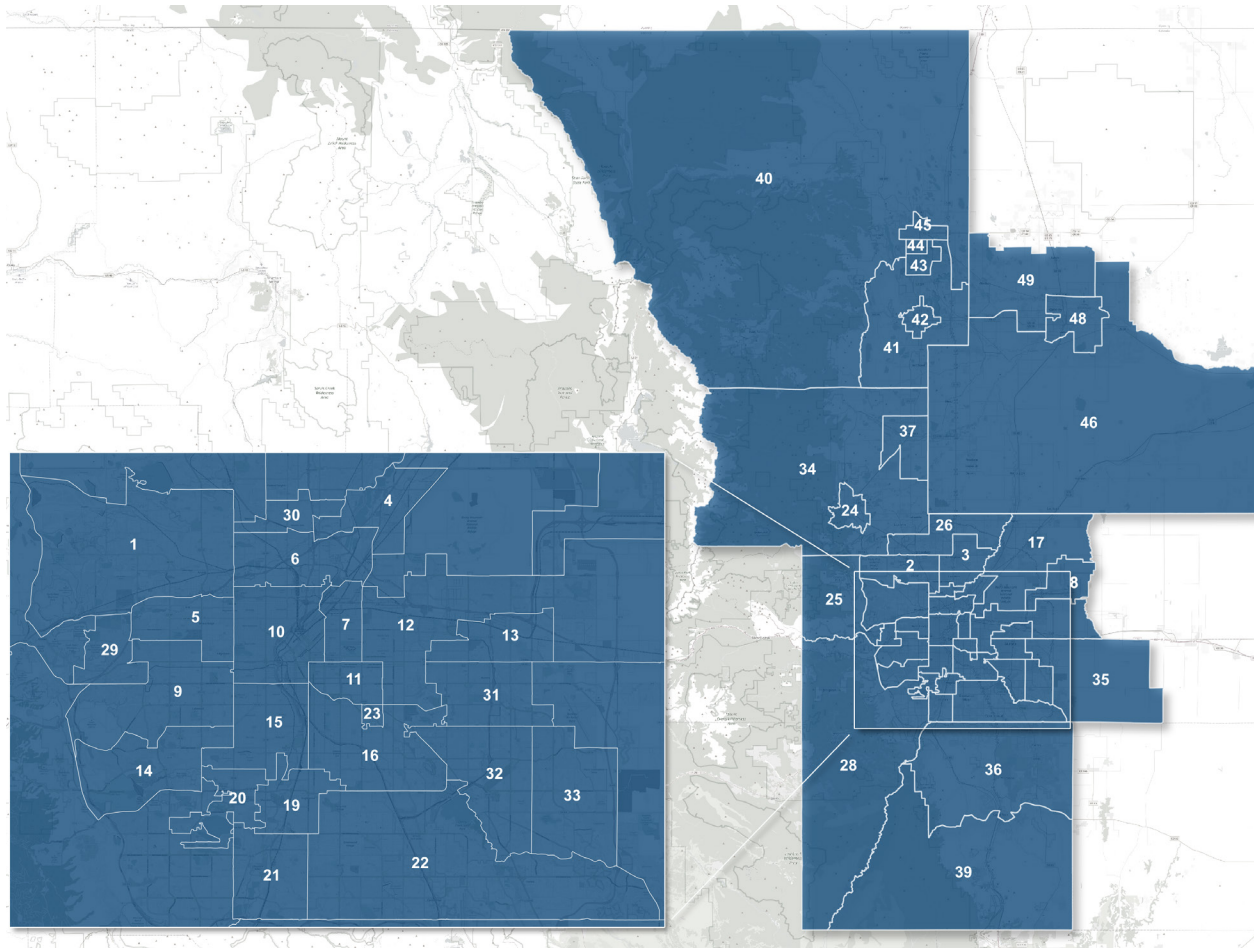
Rank	Market	Units	Transaction Volume (\$MM)	Price Per Unit
1	Phoenix	6,433	\$1,436.07	\$223,235
2	Denver	1,861	\$517.10	\$277,859
3	Tucson, Ariz.	1,045	\$131.95	\$126,268
4	Las Vegas	636	\$77.65	\$122,091
5	Albuquerque, N.M.	855	\$53.85	\$62,986

### DENVER

Following a tough 2020 with largely plateauing rent growth, Denver's multifamily market appears to be on the road to recovery. The metro's diversified economy and rapid population growth will keep it on strong footing through 2021, as the broader, national recovery begins to take hold. Multifamily transactions exceeded half a billion dollars in January and February. This is a major downshift from the \$1.2 billion traded during the same window in 2020, though deal velocity is likely to pick up speed as investor confidence builds through the year.



# DENVER SUBMARKETS



Area No.	Submarket
1	Arvada
2	Westminster
3	Northglenn/Thornton
4	Commerce City/Derby
5	Wheat Ridge
6	Berkley/North Washington
7	City Park/City Park West
8	Denver International Airport
9	Lakewood-North
10	CBD/Five Points/North Chapel Hill
11	Capitol Hill/Cheesman Park/Hale
12	East Colfax/Lowry Field/Stapleton
13	Aurora-Northwest
14	Lakewood-South
15	College View/Ruby Hill

Area No.	Submarket
16	Hampden/Virginia Village/Washington
17	Brighton
19	Englewood/Sheridan
20	Bear Valley/Fort Logan
21	Columbine Valley/Littleton
22	Arapahoe-Southwest
23	Glendale
24	Boulder
25	Golden
26	Broomfield/Todd Creek
28	Jefferson
29	Applewood/West Pleasant View
30	Sherrelwood/Welby
31	Aurora-West Central
32	Aurora-Southwest

Area No.	Submarket
33	Aurora-Southeast
34	Greater Boulder
35	Arapahoe-East
36	Douglas County-North
37	Longmont
39	Douglas County-East
40	Estes Park/Laporte
41	Champion
42	Loveland
43	Fort Collins-South
44	Fort Collins-Central
45	Fort Collins-North
46	Weld South
48	Greeley East
49	Windsor/Greeley West



## DEFINITIONS

**Lifestyle households (renters by choice)** have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

**Renter-by-Necessity households** span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students*, who also December span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households*, composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households*, which December barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, December extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

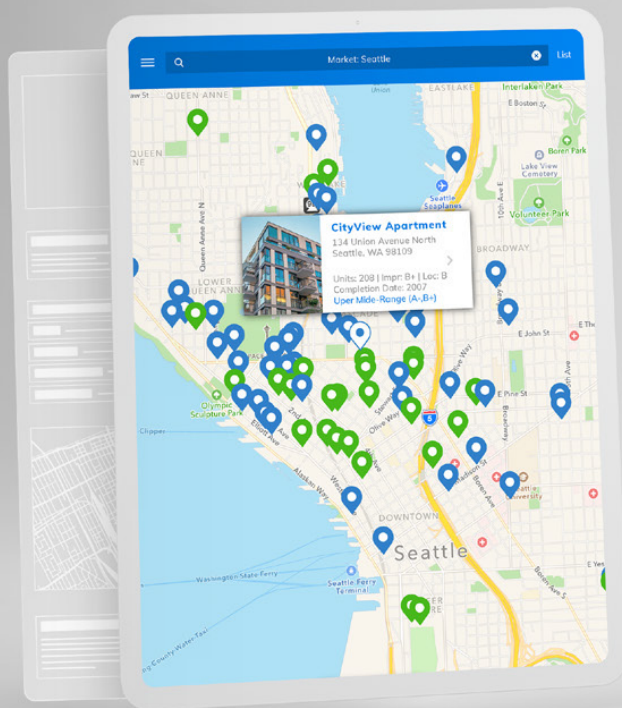
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit [www.yardimatrix.com](http://www.yardimatrix.com) or call Ron Brock, Jr., at 480-663-1149 x2404.



# Yardi<sup>®</sup> Matrix

Power your business with the industry's leading source for originating, pre-underwriting and managing assets for profitable loans and investments.



Yardi Matrix Multifamily provides accurate data on 19+ million units, covering over 90% of the U.S. population.

## Key features

- Pierce the LLC every time with true ownership and contact info
- Leverage patented improvement and location ratings, unit mix, rental, occupancy and current manager information
- Gain complete new supply pipeline information at the asset, competitive set and market level
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access exclusive aggregated and anonymized residential revenue and expense comps

See how we can help you achieve your investment goals.  
Request a personalized demo at [yardimatrix.com/contact-us](https://yardimatrix.com/contact-us)

(800) 866-1144 | [yardimatrix.com/multifamily](https://yardimatrix.com/multifamily)

© 2021 Yardi Systems, Inc. All Rights Reserved. Yardi, the Yardi logo, and all Yardi product names are trademarks of Yardi Systems, Inc.



#### DISCLAIMER

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

#### COPYRIGHT NOTICE

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (<http://www.yardimatrix.com/Terms>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2021 Yardi Systems, Inc. All Rights Reserved.