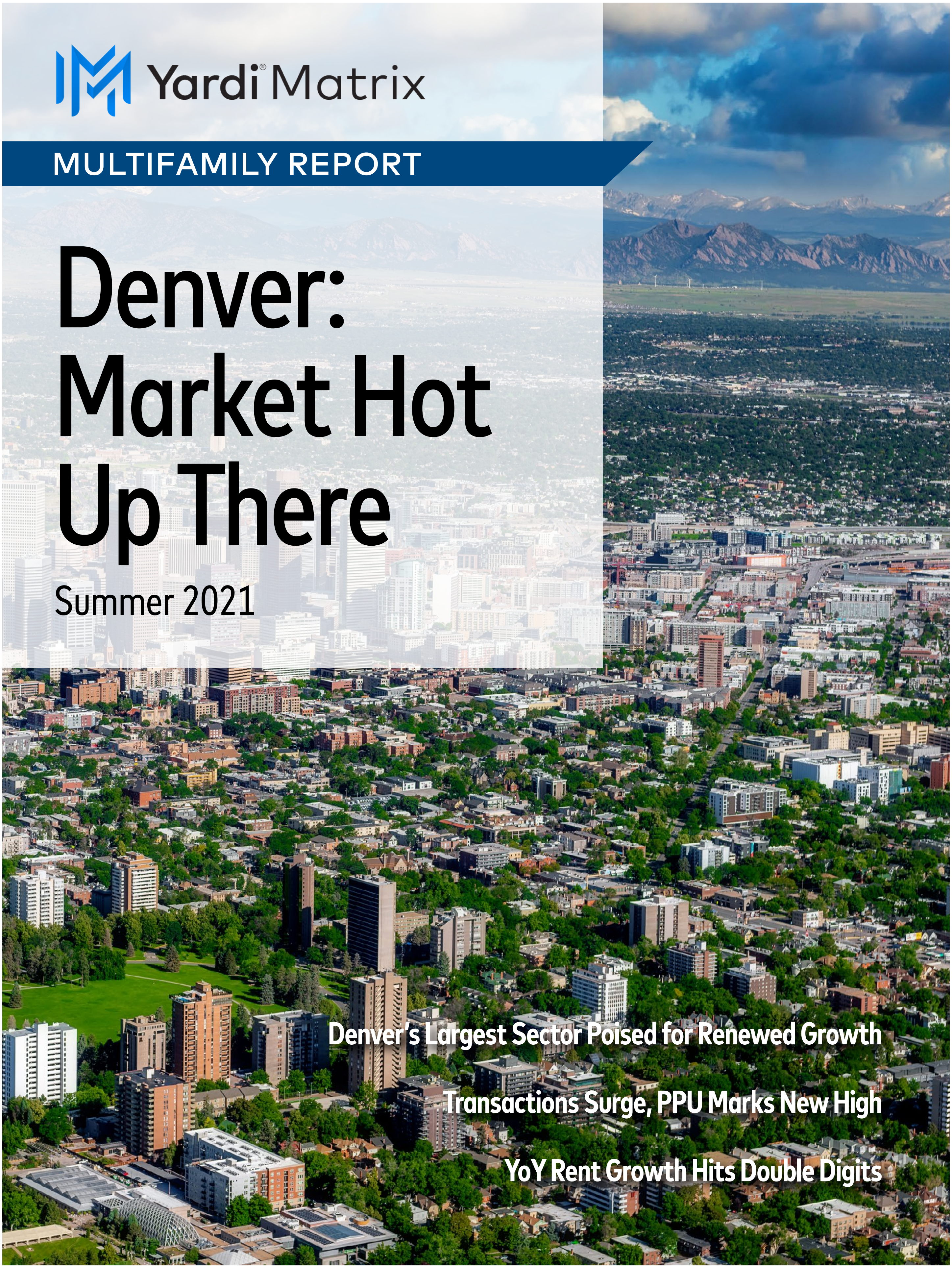

Yardi Matrix

MULTIFAMILY REPORT

Denver: Market Hot Up There

Summer 2021

Denver's Largest Sector Poised for Renewed Growth

Transactions Surge, PPU Marks New High

YoY Rent Growth Hits Double Digits

Yardi Matrix

Recovery Well Underway

Colorado's business-friendly environment, affordable cost of living, airport connectivity and tech ecosystem proved a winning combination for Denver's multifamily market. Rents in the metro rose 2.0% on a trailing three-month basis through July to $1,715, outpacing the national average, which rose 1.6%, to $1,510. Occupancy in stabilized properties increased by 60 basis points in the 12 months ending in June, to 95.0%, due to demand for upscale units.

As of June, unemployment stood at 6.3%, trailing the 5.9% U.S. rate. Overall, Denver added 134,200 jobs in the 12 months ending in May, with slight contractions in the government, information and construction sectors. Metro Denver's largest sector—trade, transportation and utilities—expanded by 9.7% during the period and is poised for additional boosts, thanks to Amazon, United Airlines and Fluid Truck. Professional and business services grew by 5.1%.

Developers had 22,566 units underway as of July. However, deliveries slowed down, with just 2,816 apartments added to the inventory in the first seven months of 2021. Meanwhile, transaction activity rebounded strongly, with the total reaching $3.8 billion through July, for a price per unit that rose to $314,411.

Market Analysis | Summer 2021

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Recent Denver Transactions

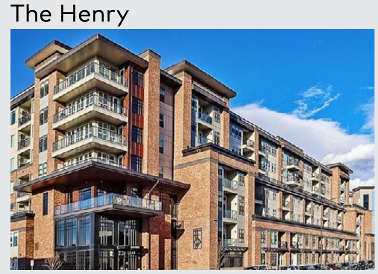
Palomino Park Resort

City: Highlands Ranch, Colo.
Buyer: Crow Holdings
Purchase Price: $435 MM
Price per Unit: $367,399

The Lex at Lowry

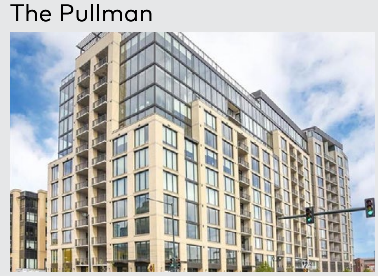
City: Denver
Buyer: CIM Group
Purchase Price: $202 MM
Price per Unit: $283,497

The Henry



City: Denver
Buyer: Eaton Vance Investment Managers
Purchase Price: $184 MM
Price per Unit: $455,335

The Pullman

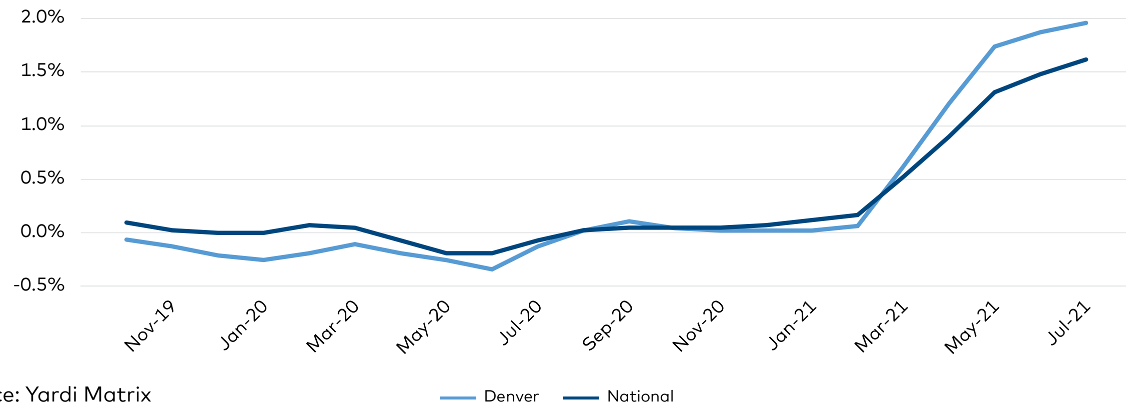


City: Denver
Buyer: Lincoln Property Co.
Purchase Price: $174 MM
Price per Unit: $1,037,202

RENT TRENDS

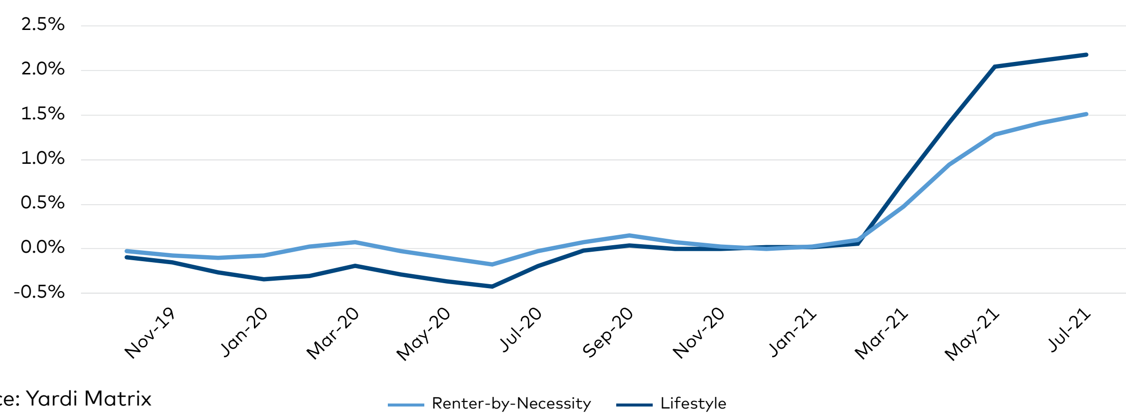
- Denver rents swiftly entered recovery mode at the end of the first quarter. Rates marked a 2.0% increase on a trailing three-month (T3) basis through July, to $1,715. On a year-over-year basis, Denver prices were up a solid 10.1%, surpassing the already very strong 8.3% U.S. figure.
- The Lifestyle segment led growth, with the average rent rising 2.2% on a T3 basis through July, to $1,917. Meanwhile, working-class Renter-by-Necessity rates were up 1.5%, to $1,432.
- The switch toward upscale demand was also reflected in occupancy: The rate for Lifestyle units rose 100 basis points in the 12 months ending in June, while occupancy for the RBN segment remained flat. Both clocked in at 95.0%.
- Rent growth was uneven across the map, with 25 of 43 submarkets tracked by Yardi Matrix posting double-digit year-over-year increases.
- Rent improvement continued unabated in the CBD/Five Points/North Capitol Hill submarket (9.1% to $2,078), despite the area leading deliveries and still posting a solid pipeline. The highest average rent remained in Boulder, at $2,156, following a 9.8% year-over-year increase.
- Denver's single-family rental market is performing even better. The average single-family rent was up 19.9% year-over-year through June, ranking fourth among large U.S. metros. Meanwhile, the occupacy rate posted a 1.4% increase.

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

- Metro Denver's unemployment rate rebounded to 6.3% in June, according to preliminary Bureau of Labor Statistics data, trailing the 5.9% U.S. rate. While economic recovery is well underway, the metro's employment market still counted 33,000 fewer jobs in June 2021 than in February 2020.
- Only three sectors lost jobs during the 12 months ending in May—government (-2,600 positions), information (-1,000) and construction (-400). Overall, the metro added 134,200 jobs during the time frame.
- The easing of pandemic restrictions helped leisure and hospitality recover 56,200 jobs (up 42.9%). Next in line was trade, transportation and utilities—Denver's largest sector—which expanded by 9.7%, or 31,600 jobs, and is poised for continued growth. Amazon seeks to hire 3,000 people in Denver and United Airlines has ordered 270 new aircrafts, set to create more than 3,000 jobs.
- Denver's professional and business services sector expanded by 5.1% and continues to attract both talent and new companies. Recent firms to announce expansions include LogistiCare, Marqeta and Melio.

Denver Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	187	9.5%
40	Trade, Transportation and Utilities	356	18.1%
65	Education and Health Services	247	12.6%
60	Professional and Business Services	353	17.9%
80	Other Services	73	3.7%
30	Manufacturing	118	6.0%
55	Financial Activities	129	6.6%
15	Mining, Logging and Construction	142	7.2%
50	Information	61	3.1%
90	Government	300	15.3%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Denver gained 23,992 residents in 2020, for an 0.8% uptick, double the 0.4% national rate.
- The metro's population expanded by 17.1% in the past decade, boosted by both domestic migration and natural growth.

Denver vs. National Population

	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Denver Metro	2,892,979	2,932,415	2,967,239	2,991,231

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

SUPPLY

- Denver had 22,566 units under construction as of July, with the market hot off another strong year for deliveries. Since 2014, more than 80,000 units have come online, averaging 11,600 units per year.

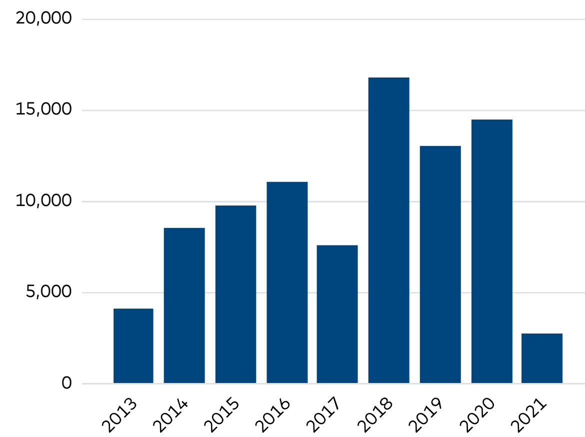
- Deliveries softened in 2021—which likely contributed to the double-digit rent growth—with just 2,816 units added to inventory through July. Of these, 1,800 apartments came online in the CBD/Five Points/North Capitol Hill submarket—an area still bustling with activity—and an additional 4,615 units were underway.

- Mirroring the nationwide trend, the bulk of both deliveries and upcoming multifamily projects is leaning heavily toward the Lifestyle segment. Of this year's deliveries through July, just 203 units were in fully affordable communities. Meanwhile, the construction pipeline had some 3,300 units in fully affordable projects and just 1,041 units in market-rate RBN developments.

- As of July, half of the construction pipeline was concentrated in six submarkets, with the CBD area holding a strong lead. Next in line were Broomfield/Todd Creek (1,295 units), Lakewood-North (1,266) and Westminster (1,227).

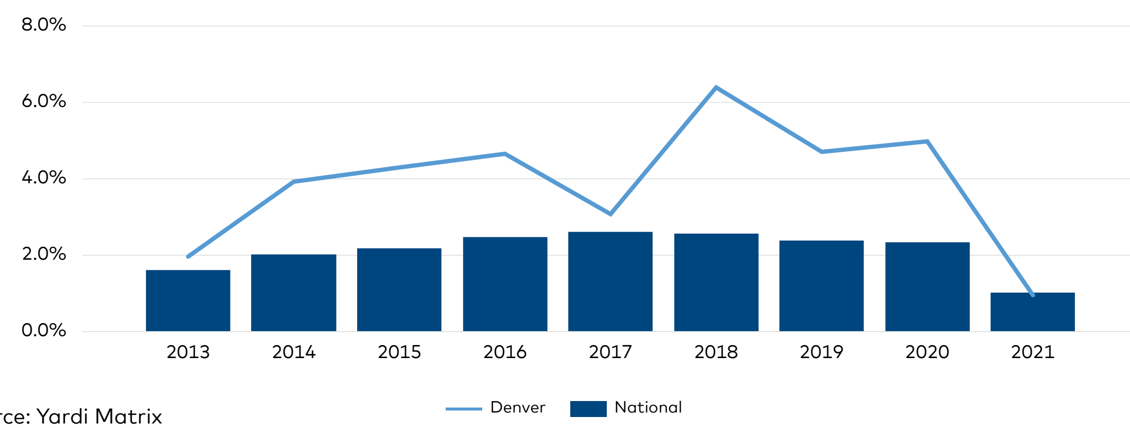
- The largest project delivered through July was the 443-unit X Denver in the CBD/Five Points/North Capitol Hill submarket. The property, jointly owned by The X Co. and PMG, was built with the help of an $84 million construction loan originated by JPMorgan Chase.

Denver Completions (as of July 2021)



Source: Yardi Matrix

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



Source: Yardi Matrix

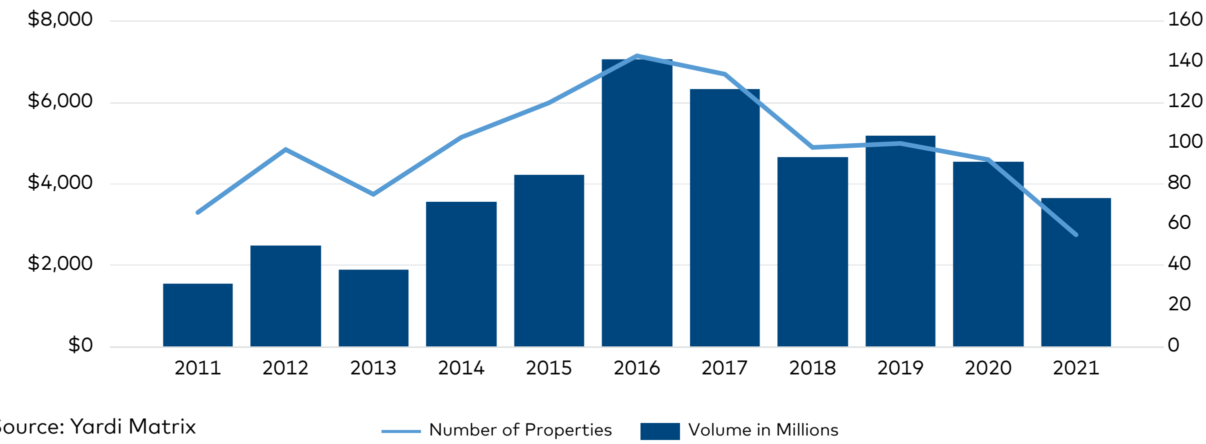
TRANSACTIONS

- Investor confidence rebounded in the third quarter of 2020. The trend continued in 2021, placing Denver in the top five metros for multifamily deals. Through July, more than $3.8 billion in assets traded, well above the $1.7 billion recorded during the same period last year.

- Sales composition was balanced across property segments, slightly favoring the Lifestyle class—30 of the 56 deals recorded in the first seven months of 2021 were for upscale properties. Values surged in Denver, with the price per unit marking a substantial 41.0% increase to $314,411, well above the $174,922 U.S. figure.

- Palomino Park Resort, a 1,184-unit asset acquired by Crow Holdings from Nuveen for $435 million, marked the highest price in 2021 through July. The highest per-unit price was paid by Lincoln Property Co. for The Pullman, a recently completed 168-unit property that sold for $174 million, or slightly above $1 million per unit.

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



Source: Yardi Matrix

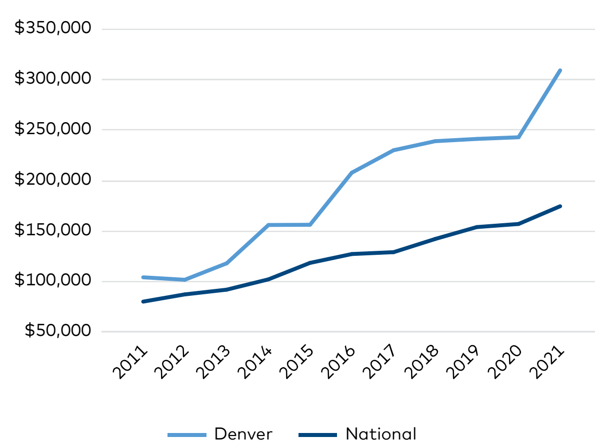
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
CBD/5 Points/North Capitol Hill	1,039
Douglas County-North	833
E. Colfax/Lowry Field/Stapleton	646
Northglenn/Thornton	524
Champion	426
Hampden/Virginia Village/ Washington Virginia Vale	387
Arapahoe-Southwest	272

Source: Yardi Matrix

[1]From August 2020 to July 2021

Denver vs. National Sales Price per Unit



Source: Yardi Matrix

LISTICLE

Top Western Markets for Rent Growth

By Beata Lorincz

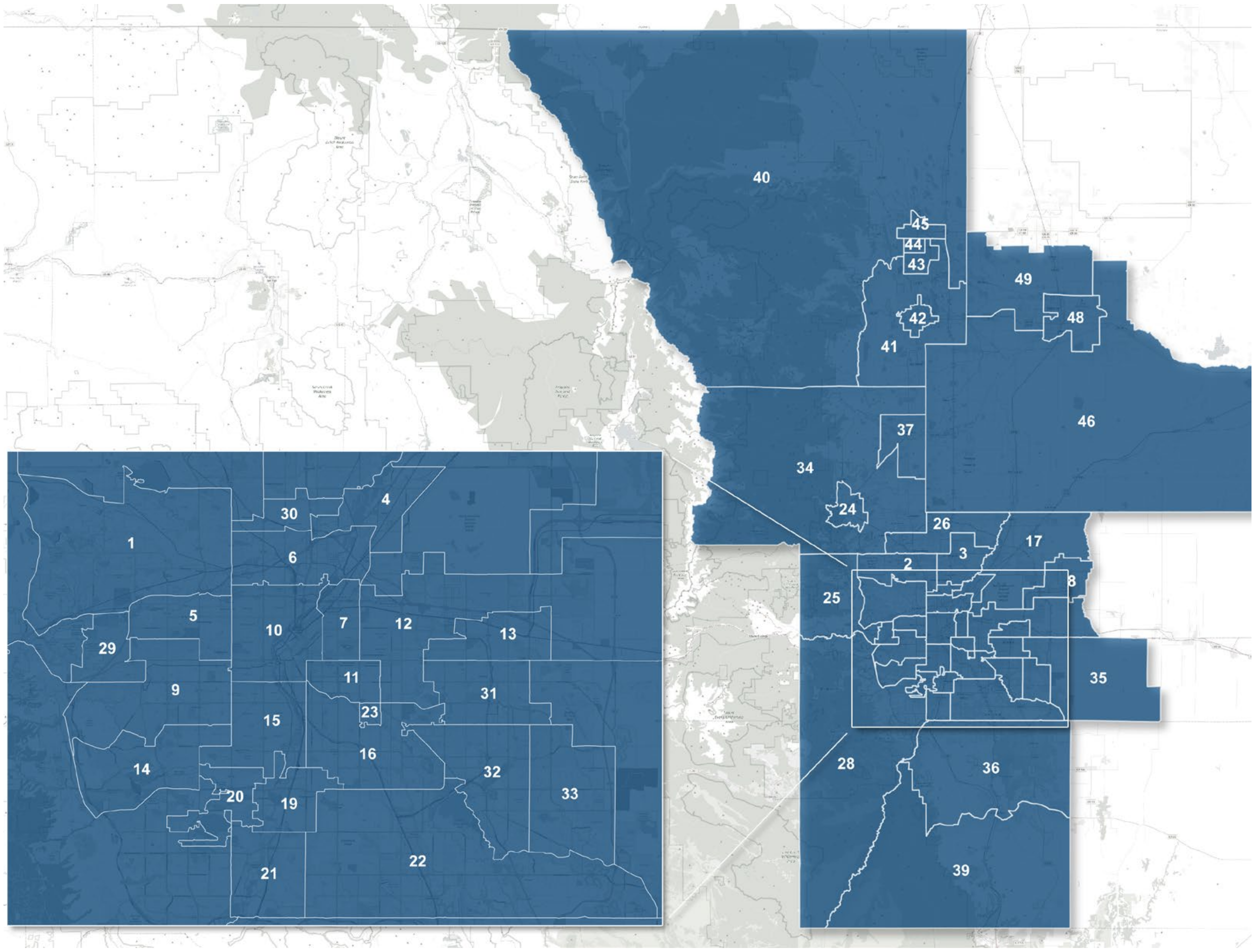
The multifamily sector is reaching record levels of rent growth across the country. Asking rates were up 6.3 percent year-over-year through June and registered a $62—or 4.4 percent—increase in the second quarter of the year, according to Yardi Matrix data. In June alone, national figures expanded by a whopping $23, ballooning to an average of $1,482.

Market	YoY Rent Change–June 2021	Occupancy Rate	Units Under Construction
Boise	20.67%	98.11%	3,308
Phoenix	17.00%	96.40%	33,554
Las Vegas	14.62%	96.42%	5,834
Tucson	14.38%	96.61%	1,765
Colorado Springs	14.34%	96.58%	3,593
Reno	14.25%	96.80%	4,169
Albuquerque	13.57%	96.77%	1,461
Salt Lake City	10.52%	96.88%	13,160
Denver	8.11%	95.05%	21,581

DENVER

In early 2021, Denver's multifamily market was still gradually recovering, with local authorities implementing the city's Rebuilding for an Inclusive and Sustainable Economy plan. Rates have started to bounce back, up 50 basis points on a trailing three-month basis in April. In June, the average rent hit $1,680, registering an 8.1 percent increase year-over-year. In May, Denver recorded the third-biggest year-over-year growth in single-family rentals across all metros, hitting 13.5 percent.

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 or call Ron Brock, Jr., at 480-663-1149 x2404.

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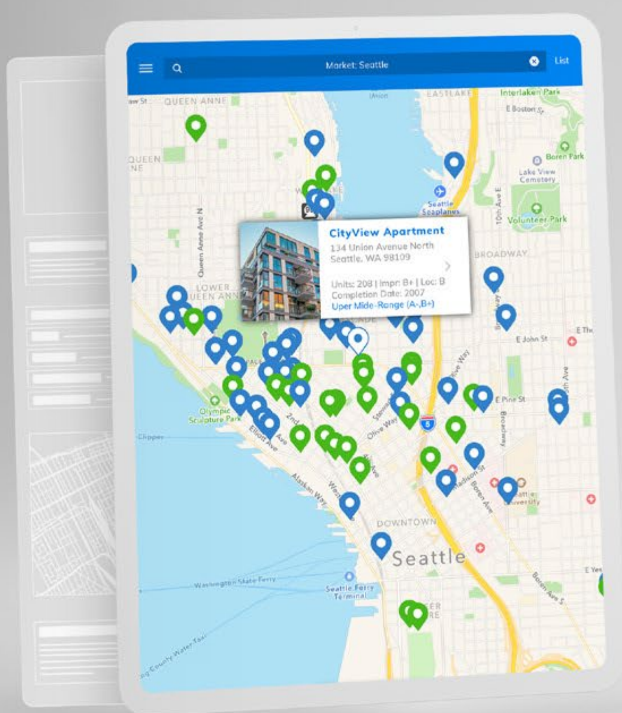

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