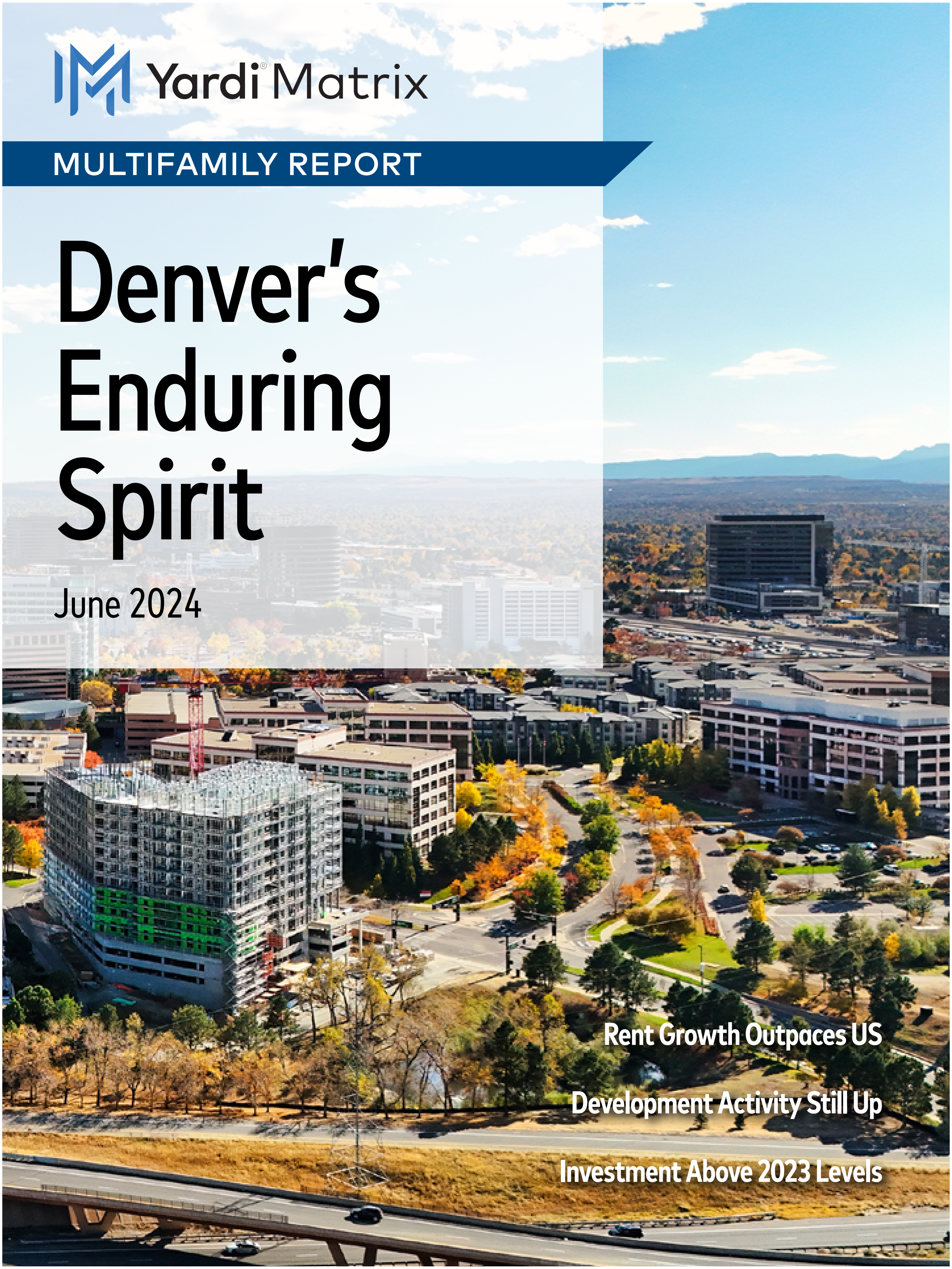
Yardi Matrix

MULTIFAMILY REPORT

Denver's Enduring Spirit

June 2024



Rent Growth Outpaces US

Development Activity Still Up

Investment Above 2023 Levels

DENVER MULTIFAMILY

Yardi Matrix

Robust Pipeline Continues To Define Denver

Denver's multifamily fundamentals were firm at the beginning of the second quarter. After starting the year in negative territory, rents rose 0.4% on a trailing three-month basis through April, to $1,925. On an annual basis, rates recorded even stronger growth, up 1.0%. Despite a slight decline, the metro's average occupancy rate in stabilized assets stood at 94.7%, ahead of the national figure.

Denver's unemployment rate was 4.2% as of February, according to data from the Bureau of Labor Statistics. The figure was 30 basis points higher than the national average. A joint venture between the city of Denver and Denver County aims to boost economic growth downtown. The partnership plans to expand the current Downtown Development Authority, which is expected to generate $500 million to be used for revitalizing downtown Denver. The DDA highlighted that no residential properties have been developed in upper downtown since 2020. As such, capital investment will focus on increasing housing, among other initiatives.

Developers brought 3,358 units across 15 properties online in the first four months of the year. Mirroring development, completions skewed toward the upscale segment, which had some 42,000 units under construction. Investors were active as well, with nearly $1 billion in assets trading. Denver's average price per unit settled at $289,633, well above the national average of $181,913.

Market Analysis | June 2024

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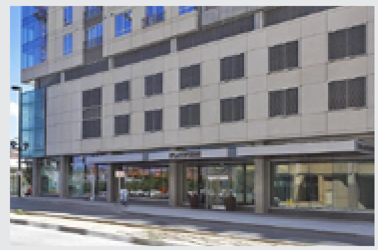
Recent Denver Transactions

Commons Park West

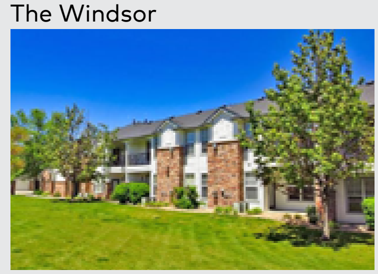
City: Denver
Buyer: Mesirow Financial
Purchase Price: $146 MM
Price per Unit: $430,473

Griffis Platform Union Station



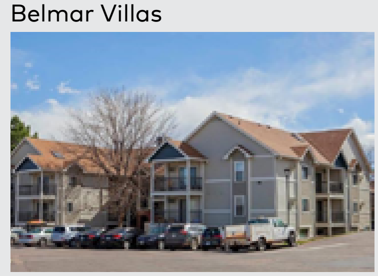
City: Denver
Buyer: Griffis Residential
Purchase Price: $126 MM
Price per Unit: $437,282

The Windsor



City: Lakewood, Colo.
Buyer: Brixton Capital
Purchase Price: $124 MM
Price per Unit: $352,983

Belmar Villas



City: Lakewood, Colo.
Buyer: ColRich Multifamily
Purchase Price: $74 MM
Price per Unit: $233,648

RENT TRENDS

- Denver rents increased 0.4% on a trailing three-month (T3) basis through April, to $1,925. Meanwhile, the national average recorded a 0.3% rise, to $1,725. On an annual basis, the metro registered a 1.0% increase, 30 basis points above the 0.7% national rate.

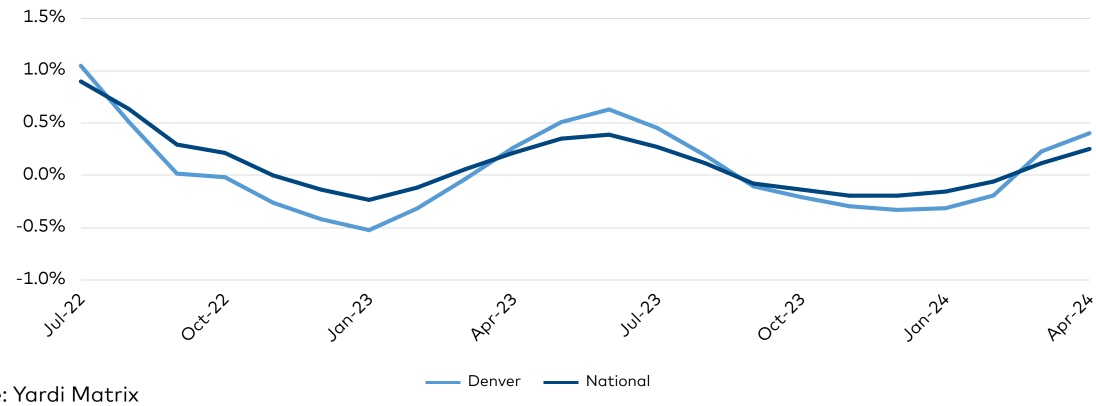
- Rent growth was consistent across property segments on a T3 basis through April. Both Lifestyle and RBN rents were up 0.4%. Lifestyle rates increased to $2,106 and RBN figures reached $1,640. Year-over-year, RBN rents rose 2.4%, 200 basis points above Lifestyle rates.

- As of March, the average occupancy rate in stabilized assets was 94.7%. This amounted to a 30-basis-point drop year-over-year but was still 20 basis points above the national average of 94.5%. Lifestyle occupancy fell 40 basis points, dropping to 94.6%. RBN properties fared slightly better with occupancy falling 30 basis points, to 94.8%.

- On a year-over-year basis, rents increased in 34 of the 46 submarkets tracked by Yardi Matrix. The top three included Brighton (up 6.4% to $1,901), Fort Collins–Central (up 6.2% to $1,737) and Denver–North (up 5.9% to $2,472). Denver–Downtown remained the metro's most expensive area, with rents increasing to $2,535.

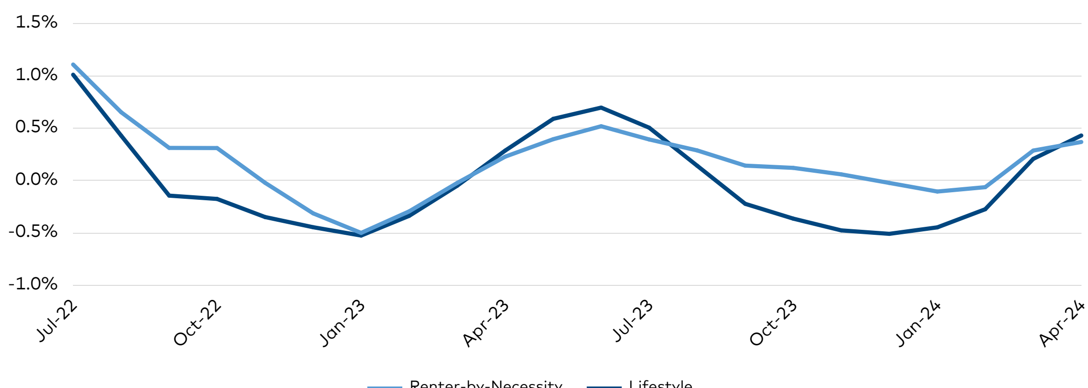
- As of April, SFR rates across Denver recorded a 0.5% increase year-over-year, while the national rate was up 1.3%. On the other hand, occupancy was down 0.1% at the metro level and 0.4% at the national level.

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

- Denver added 28,600 jobs in the 12 months ending in February. This amounted to a 1.5% expansion and was on par with the national average. Government led gains with 20,800 positions added. Professional and business services added the fewest new jobs (500 jobs). At the other end of the spectrum, trade, transportation and utilities recorded the highest losses, down 5,300 positions.

- As of February, Denver's unemployment rate stood at 4.2%, according to BLS data. The figure marked a 90-basis-point increase year-over-year. The metro's unemployment rate was also 70 basis points higher than Colorado's average and 30 basis points above the national figure.

- A partnership between the city of Denver and Denver County announced a $500 million investment aimed at revitalizing the metro's downtown. The Downtown Development Authority will fund the initiative, as it did for the redevelopment of Union Station. As part of the case for revitalization, the DDA emphasized that downtown experienced a 26% decline, losing 145 businesses between 2018 and 2022. The existing DDA will be updated and expanded, and the proposed area will stretch from Denver Union Station to North Grant Street, delimited by 14th Street, West and Colfax Avenues and 20th Street. Funding for approved projects is expected to become available as early as 2025.

Denver Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
90	Government	331	15.6%
65	Education and Health Services	271	12.7%
70	Leisure and Hospitality	220	10.3%
80	Other Services	87	4.1%
55	Financial Activities	138	6.5%
30	Manufacturing	120	5.6%
60	Professional and Business Services	391	18.4%
15	Mining, Logging and Construction	142	6.7%
50	Information	63	3.0%
40	Trade, Transportation and Utilities	364	17.1%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Denver added 22,721 new residents between 2021 and 2022. This amounted to a 0.8% expansion, double the national growth rate of 0.4%. The metro's population has continued on an upward trajectory despite pandemic-related challenges.

Denver vs. National Population

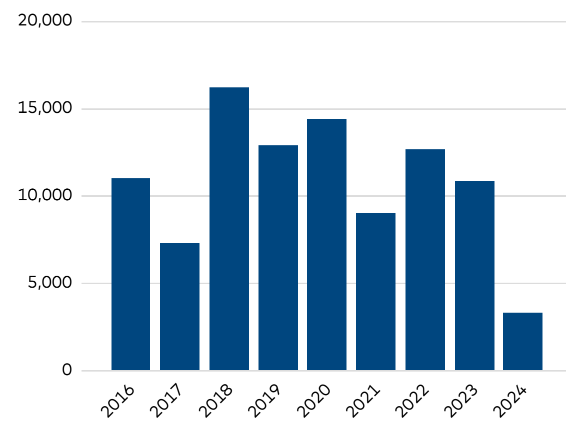
	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Denver	2,892,066	2,928,437	2,936,665	2,959,386

Source: U.S. Census

SUPPLY

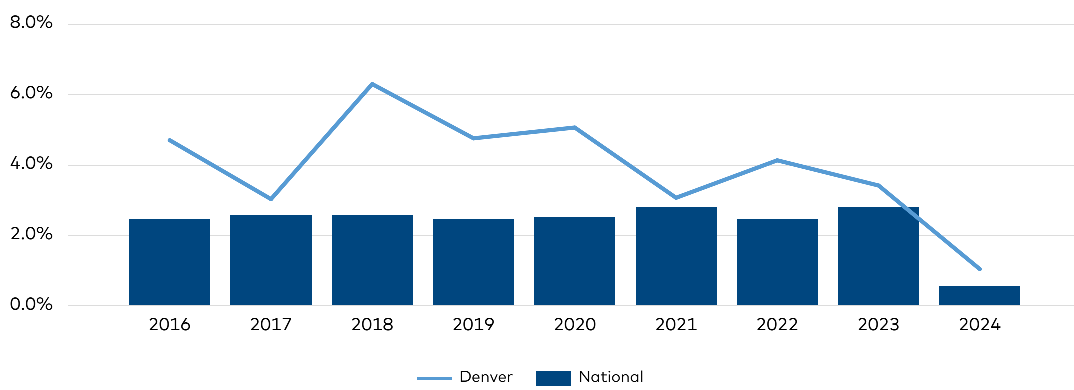
- Denver had 41,746 units under construction as of April. Most of the projects underway were Lifestyle assets, while fully affordable projects comprised nearly 10% of the units under construction. RBN projects accounted for 4% of units underway. To fuel the metro's robust construction activity, developers also had 117,000 units in the planning and permitting stages.
- In the first four months of the year, developers completed 3,358 units across Denver. The figure accounted for 1.0% of Denver's existing multifamily inventory, 40 basis points above the national average. Completions also highlighted the preference for the upscale segment, as 92% of deliveries were Lifestyle assets and only 8% were RBN properties. Denver is expected to add a total of 18,041 units by the end of the year, followed by an additional 16,465 units in 2025.
- Denver–Central led construction activity with 3,702 units under construction. The submarket was closely followed by Five Points–Uptown (3,423 units), Aurora–Central (2,855 units) and Denver–Northeast (2,777 units). Overall, 40 of Denver's 46 submarkets had at least 50 units underway and 14 submarkets had more than 1,000 units under construction.
- The 530-unit Skyline at Highlands in the Denver–West submarket is the metro's largest development underway. Grand Peaks Properties started construction on the high-rise in mid-2022 with the help of a $158 million construction loan financed by Bank OZK. The developer expects to deliver the property by the end of the year.

Denver Completions (as of April 2024)



Source: Yardi Matrix

Denver vs. National Completions as a Percentage of Total Stock (as of April 2024)

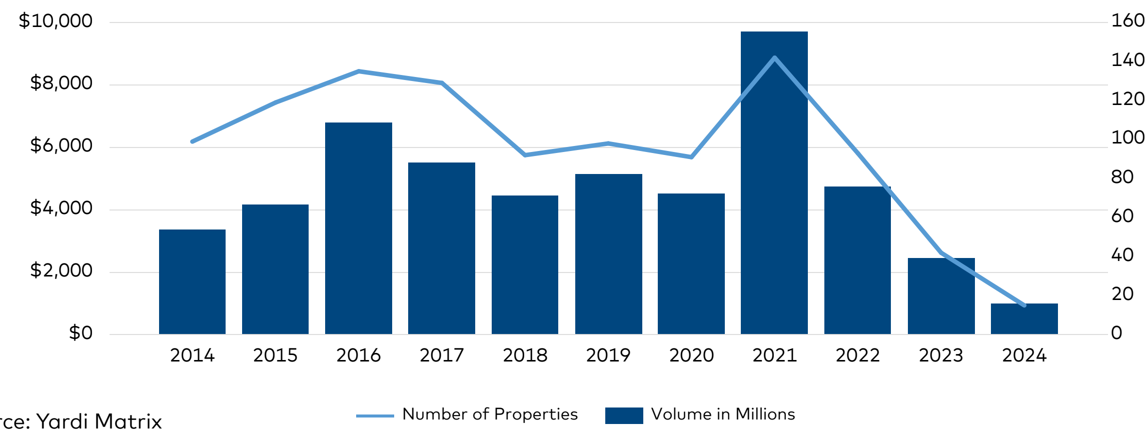


Source: Yardi Matrix

TRANSACTIONS

- In the first four months of the year, Denver recorded $990 million in multifamily transactions. Overall, 15 properties totaling 3,779 units changed hands in the metro. The metro bucked the national trend and marked a 31% increase compared to the $755 million that traded during the same period in 2023.
- Denver's per-unit price settled at $289,633, driven by investor preference for Lifestyle assets. The figure remained well above the national average of $181,913, but well below last year's $319,752.
- One of the notable recent deals was the sale of the 352-unit The Windsor in the Lakewood–West submarket. Brixton Capital paid $124 million, or $352,983 per unit, for the complex. CBRE arranged the $81 million Freddie Mac loan for the acquisition. The property last traded in 2012, when the seller, Regents of the University of California, paid $65 million for the property.

Denver Sales Volume and Number of Properties Sold (as of April 2024)



Source: Yardi Matrix

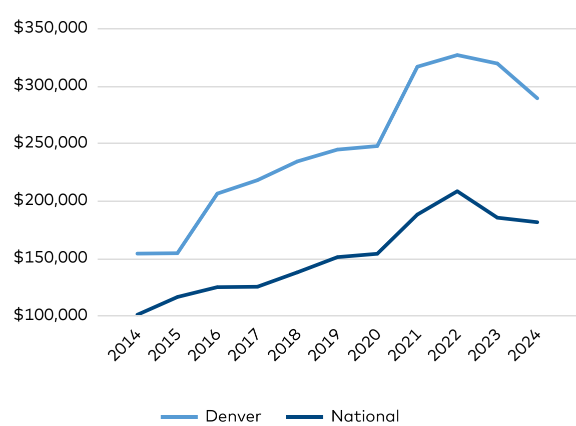
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Denver–City Park–Cherry Creek	336
Centennial–East	190
Denver–Southeast	184
Denver–West	175
Loveland	170
Aurora–South	167
Denver–North	161

Source: Yardi Matrix

[1] From May 2023 to April 2024

Denver vs. National Sales Price per Unit



Source: Yardi Matrix

MHN MULTI-HOUSING NEWS

data by Yardi Matrix

Top Markets for Multifamily Investment in 2023

By Tudor Scolca

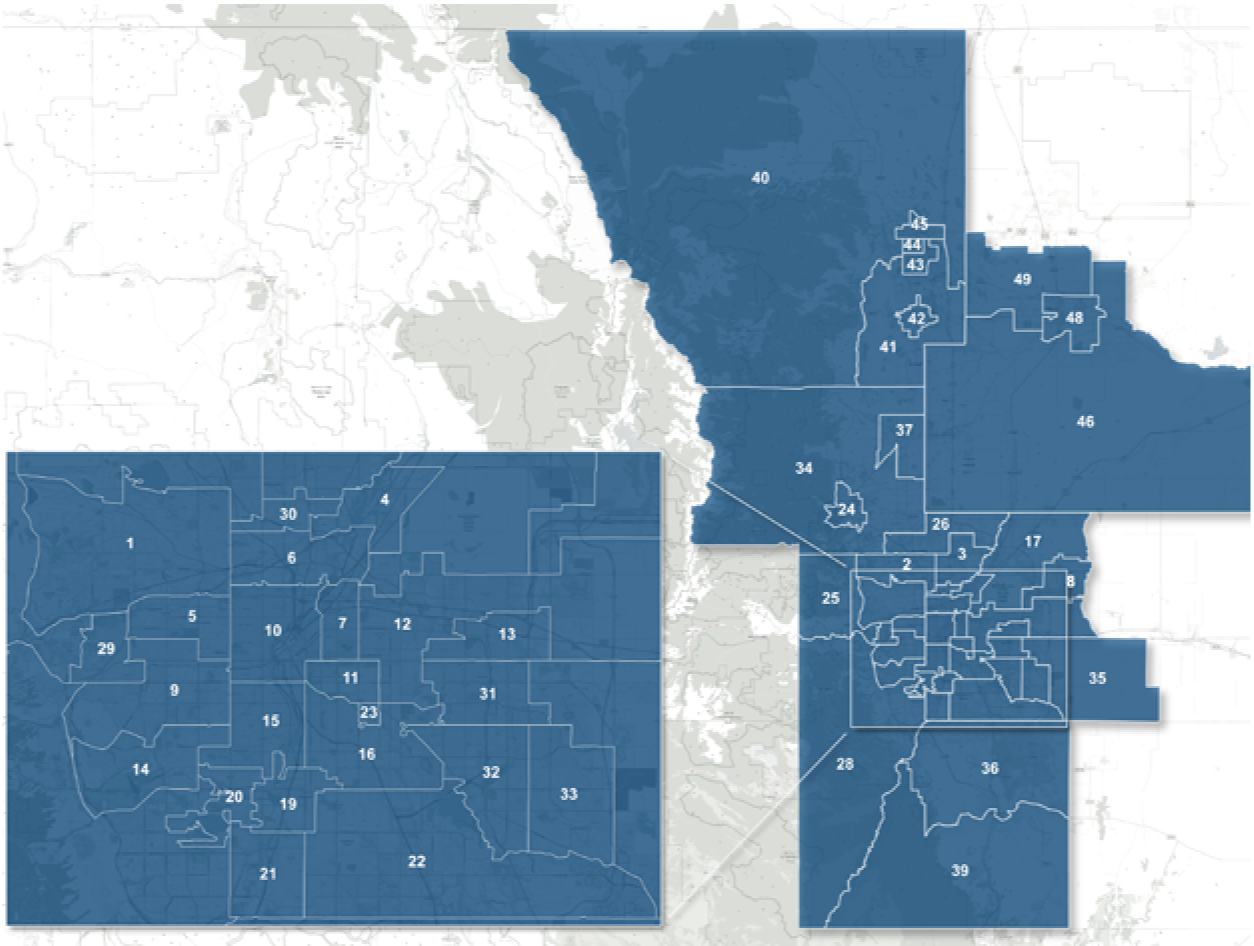
Multifamily investment sharply dropped in 2023, after two years of outstanding performance. The high cost of capital led to a pause in activity across the U.S., seriously denting sales volumes. In this context, we're taking a look at what the top markets for multifamily investment were last year, leveraging Yardi Matrix data. At the national level, investors acquired $69.4 billion in multifamily assets last year, less than half of the $206.9 billion recorded in 2022.

Metro	Price Per Unit	Properties Traded	Units Traded	Sales Volume
National	$187,744.92	2,451	439	$69,388,075,254
Dallas	$151,108.78	183	40	$4,174,529,639
Atlanta	$196,139.81	100	20	$3,731,255,605
Phoenix	$289,302.52	51	11	$3,217,333,332
Chicago	$207,465.22	73	14	$2,646,076,052
Denver	$320,997.13	45	7	$2,532,618,716
Boston	$429,169.79	28	5	$2,513,541,750
Miami Metro	$266,828.36	48	10	$2,477,684,737
Washington, D.C.	$261,684.55	44	10	$2,236,427,318
Charlotte	$223,421.00	50	10	$1,981,747,182
Tampa	$197,224.27	50	11	$1,963,452,980

Denver

Denver's investment volume totaled $2.5 billion in 2023, down 48.5% year-over-year. A total of 45 transactions closed, encompassing 7,266 units—nearly half of the 13,960 units that traded in 2022. The average price per unit was $320,997, which was virtually unchanged year-over-year. In 2023, Denver investors traded $1.9 billion in 27 Lifestyle assets (4,994 units), at an average per-unit price of $341,150. A total of 17 RBN transactions (2,272 units) were recorded, generating $609 million, at an average price of $282,099.

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 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 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, 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.

Yardi Matrix

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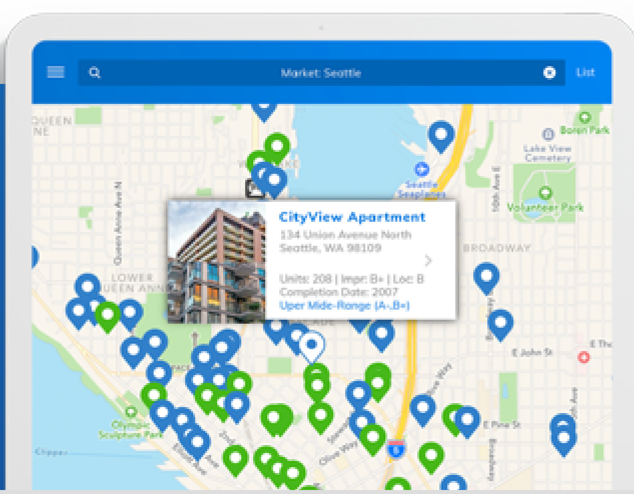
MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily provides accurate data on **19.7+ million units**, covering over **92% of the U.S. population.**

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