

# Yardi® Matrix

## MULTIFAMILY REPORT

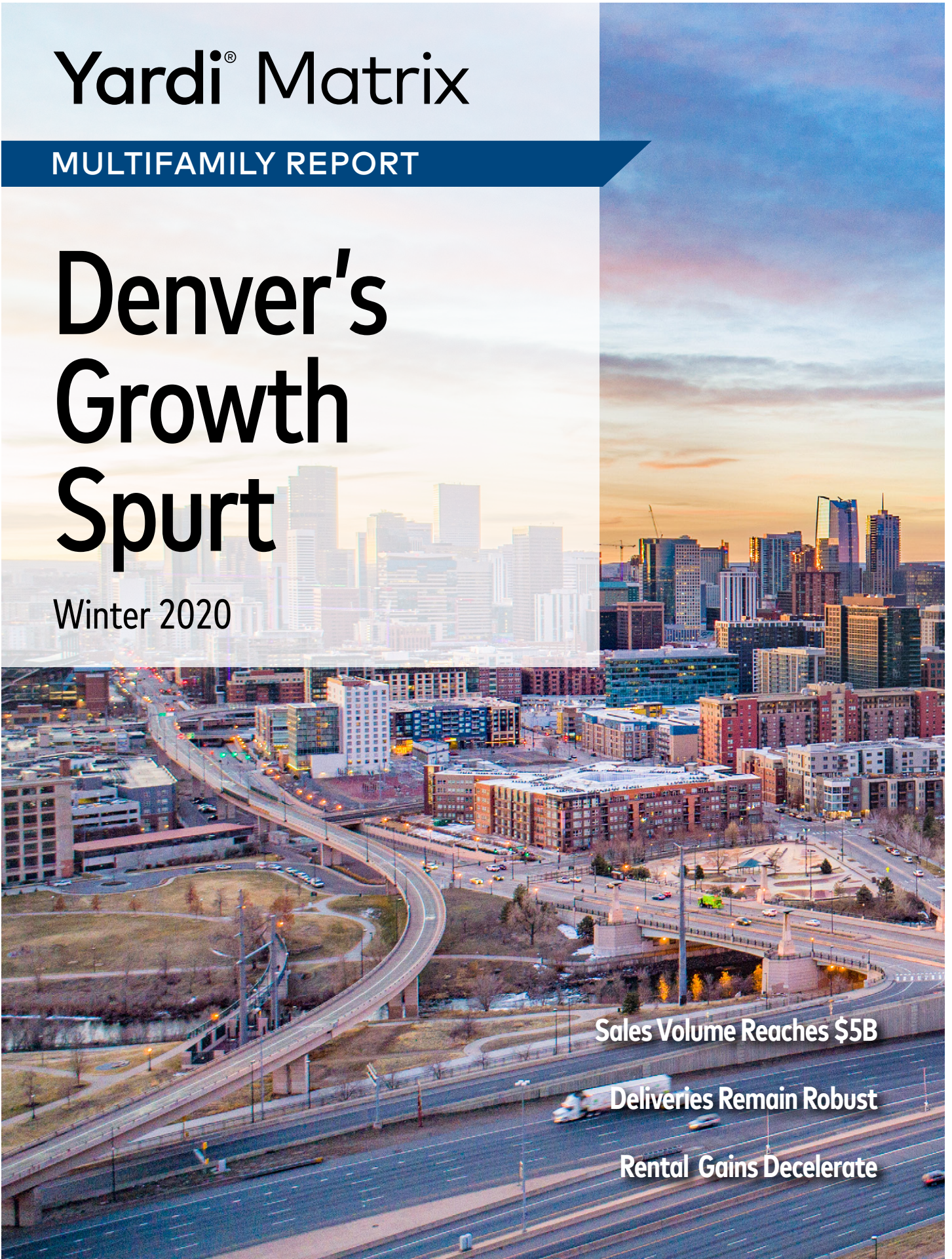
# Denver's Growth Spurt

Winter 2020

**Sales Volume Reaches \$5B**

**Deliveries Remain Robust**

**Rental Gains Decelerate**



# DENVER MULTIFAMILY

Yardi® Matrix

## Downtown Steals The Spotlight

The multifamily market in Denver remains highly favorable, boosted by the metro's long-running demographic and economic expansion. Developers and investors were particularly keen on the city's urban core, which saw a 13% population increase last year, while high-tech employment more than doubled since 2010.

The metro's talented workforce and business-friendly environment have prompted company relocations and expansions in the region. In the 12 months ending in November, Denver gained 49,300 jobs—a 2.0% year-over-year increase, outpacing the 1.8% national average. Education and health services led growth (10,800 jobs), followed by government (9,800 jobs) and professional and business services (9,700 jobs). Thriving companies brought an influx of high-paying jobs in 2019, a trend that is set to continue this year. Notable employers included tech firms Quizlet and Slack as well as Fortune 500 company VF Corp., which moved its corporate headquarters to downtown Denver. Gusto, a San Francisco-based payroll and benefits company, also plans to bring 1,500 jobs this year.

In 2019, nearly \$5 billion in multifamily assets traded in Denver, as the market's strong fundamentals appealed to many investors. Developers were also active, with some 24,000 units underway as of January. Demand is expected to maintain rent growth at 2.1% this year.

## Market Analysis | Winter 2020

### Contacts

#### Jeff Adler

Vice President & General Manager of Yardi Matrix  
[Jeff.Adler@Yardi.com](mailto:Jeff.Adler@Yardi.com)  
(800) 866-1124 x2403

#### 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

#### Adriana Pop

Senior Associate Editor

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### Recent Denver Transactions

#### Emery West Highland



City: Denver  
Buyer: MetLife Real Estate Investment  
Purchase Price: \$115 MM  
Price per Unit: \$356,366

#### Spyglass Hill



City: Denver  
Buyer: Priderock Capital Partners  
Purchase Price: \$106 MM  
Price per Unit: \$184,991

#### Legacy on the Promenade



City: Westminster, Colo.  
Buyer: Praedium Group  
Purchase Price: \$94 MM  
Price per Unit: \$311,667

#### Sofi Westminster

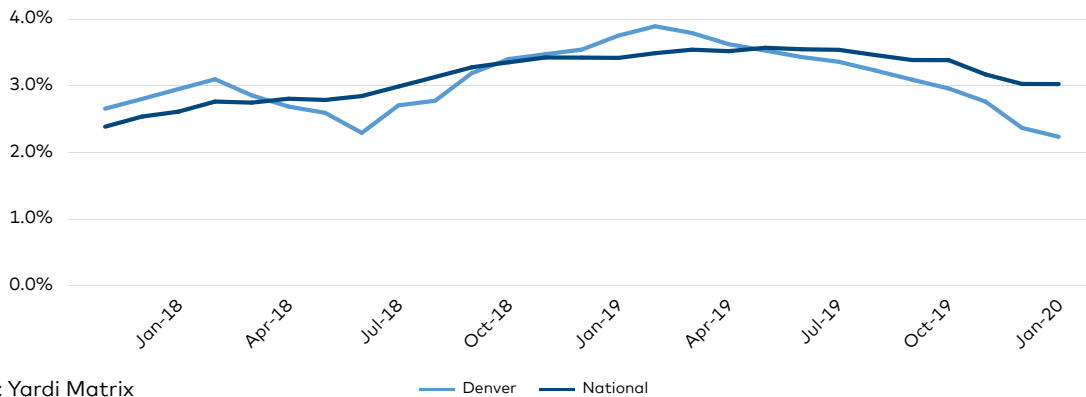


City: Westminster, Colo.  
Buyer: Holland Partners  
Purchase Price: \$81 MM  
Price per Unit: \$244,729

## RENT TRENDS

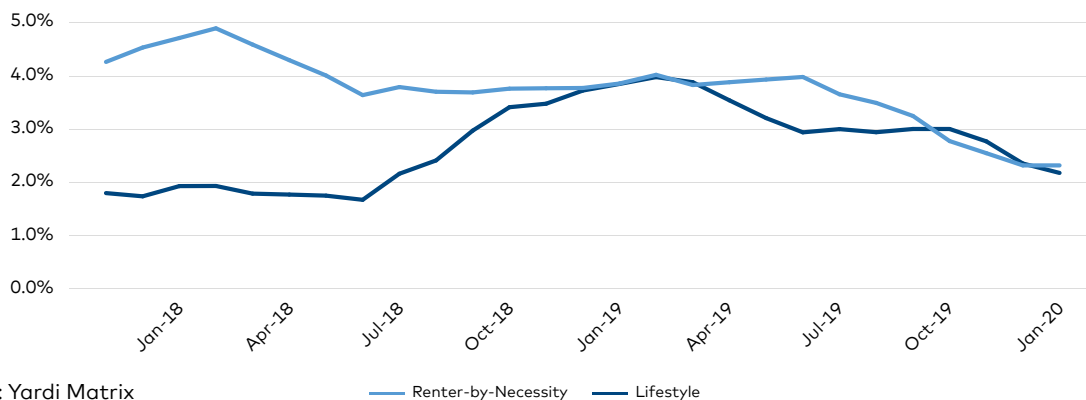
- Rents in Denver rose 2.2% year-over-year through January, trailing the 3.0% national figure. The average overall rent stood at \$1,553, above the nationally recorded \$1,463. Despite a supply wave of more than 13,000 new units in 2019, occupancy in stabilized properties remained in a relatively tight band, dropping only 10 basis points year-over-year to 94.6% as of December, slightly below the 94.8% national average.
- Rents in the working-class Renter-by-Necessity segment rose 2.3% to \$1,323, while Lifestyle rates advanced 2.2% to \$1,737. Multifamily demand across the board is sustained by an influx of high-paying jobs, boosted by an expansion of technology firms in the region. As the metro's long-running demographic and economic boom is expected to continue, builders will be encouraged to remain active and rent expansion will remain steady in the coming year.
- Submarkets that saw the highest year-over-year rent growth as of January included College View/Ruby Hill (up 7.3% to \$1,420), CBD/Five Points/North Capitol Hill (up 5.7% to \$1,982), Westminster (up 5.6% to \$1,646), Arvada (up 5.4% to \$1,423), Hampden/Virginia Village/Washington Virginia Vale (up 5.4% to \$1,447) and Longmont (up 5.4% to \$1,456). Rates in Boulder, which commands the metro's highest rents, grew by 2.1% to \$2,020. With development continuing at a high rate and demand for housing still high, we expect Denver rents to advance 2.1%, as moderate growth continues.

### Denver vs. National Rent Growth (Sequential 3 Month, Year-Over-Year)



Source: Yardi Matrix

### Denver Rent Growth by Asset Class (Sequential 3 Month, Year-Over-Year)

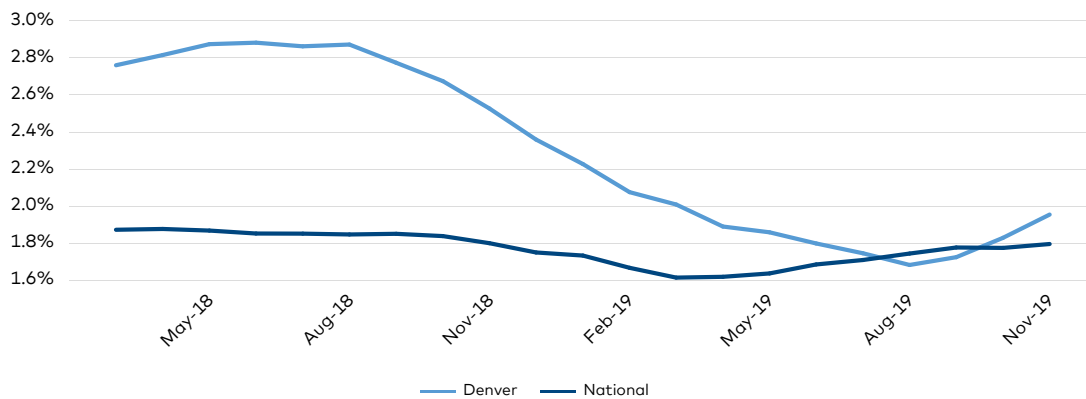


Source: Yardi Matrix

## ECONOMIC SNAPSHOT

- ▶ Denver gained 49,300 jobs in the 12 months ending in November, up 2.0% year-over-year and outpacing the 1.8% national average. The metro's unemployment rate during the same period stood at 2.4%, below Colorado's 2.6% rate as well as the nation's 3.5%.
- ▶ Education and health services led growth, with the addition of 10,800 jobs. This trend will likely continue, due to the region's ongoing population increase. To accommodate such growth, new health-care projects have recently been completed, including a 210,000-square-foot expansion of the Children's Hospital Colorado North Campus in Broomfield.
- ▶ The government sector gained 9,800 jobs, followed by professional and business services (9,700 jobs). Denver's talent pool and low corporate taxes are luring companies to the region, including thriving tech firms like Amazon, Apple, Facebook, 2U and Checkr. As of January, employers with positions paying at or above \$100,000 included Cognizant Technology Solutions, Comcast, Infosys, Harris Corp., JPMorgan Chase & Co., Accenture and Verizon Communications. Gusto, a San Francisco-based payroll and benefits company, plans to hire 1,500 people in Denver by the end of 2020. OTA Insight, a London-based company, and global software firm Gtmhub are also expanding in Denver.

### Denver vs. National Employment Growth (Year-Over-Year)



Sources: Yardi Matrix, Bureau of Labor Statistics (not seasonally adjusted)

### Denver Employment Growth by Sector (Year-Over-Year)

Code	Employment Sector	Current Employment		Year Change	
		(000)	% Share	Employment	%
65	Education and Health Services	256	12.5%	10,800	4.4%
90	Government	312	15.3%	9,800	3.2%
60	Professional and Business Services	356	17.4%	9,700	2.8%
15	Mining, Logging and Construction	151	7.4%	6,100	4.2%
55	Financial Activities	133	6.5%	5,600	4.4%
70	Leisure and Hospitality	220	10.8%	2,700	1.2%
80	Other Services	77	3.8%	1,700	2.3%
50	Information	64	3.1%	1,600	2.6%
30	Manufacturing	119	5.8%	1,400	1.2%
40	Trade, Transportation and Utilities	354	17.3%	-100	0.0%

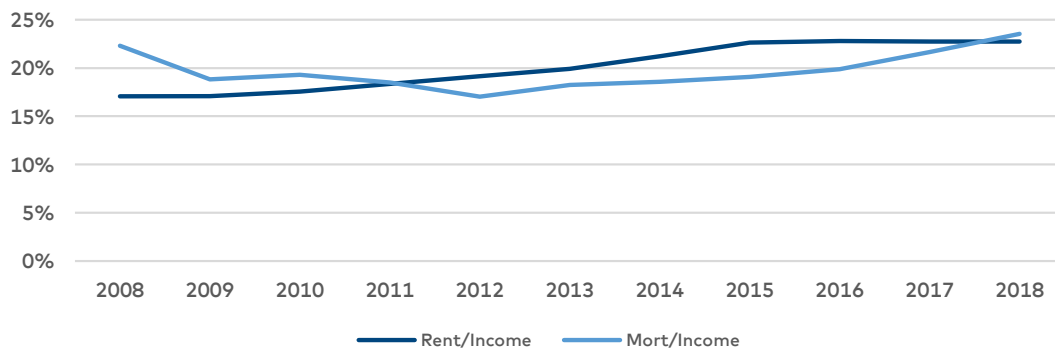
Sources: Yardi Matrix, Bureau of Labor Statistics

## DEMOGRAPHICS

### Affordability

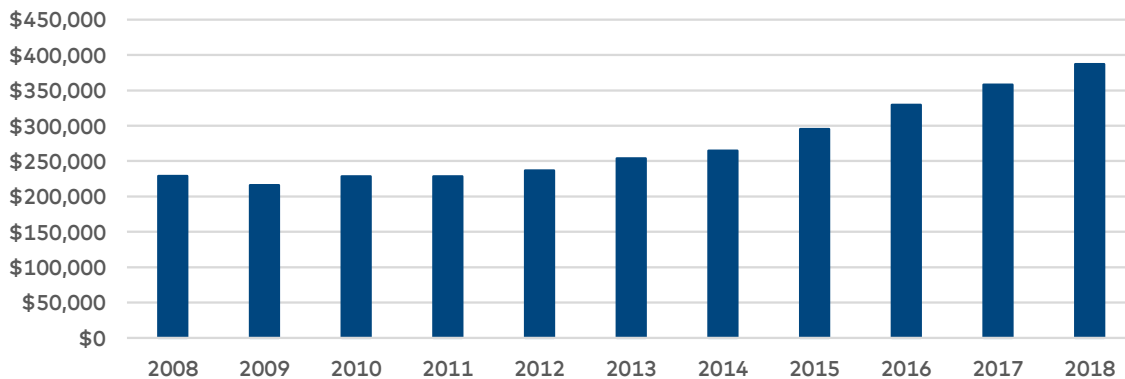
- ▶ The median home price in Denver rose to a cycle peak of \$387,242 in 2018, up 8.2% from 2017 and 79% higher than 2009's levels. The average rent accounted for 23% of the area median income, while the average mortgage payment equated to 24%.
- ▶ Between 2000 and 2016, the number of rent-burdened U.S. middle-income households rose from 16% to 32%, while in Denver, it jumped from 18% to 45%, according to the National Multifamily Housing Council. To help ease the metro's affordable housing shortage, city planners are updating zoning regulations to allow up to eight unrelated people to live together. A public hearing has been scheduled.

### Denver Rent vs. Own Affordability as a Percentage of Income



Sources: Yardi Matrix, Moody's Analytics

### Denver Median Home Price



Source: Moody's Analytics

### Population

- ▶ Denver gained 39,436 residents in 2018, a 1.4% population increase and more than double the 0.6% national rate.
- ▶ Between 2014 and 2018 the metro's population rose by 177,774 residents, marking a 6.5% increase.

### Denver vs. National Population

	2015	2016	2017	2018
National	320,742,673	323,071,342	325,147,121	327,167,434
Denver Metro	2,813,514	2,857,549	2,892,979	2,932,415

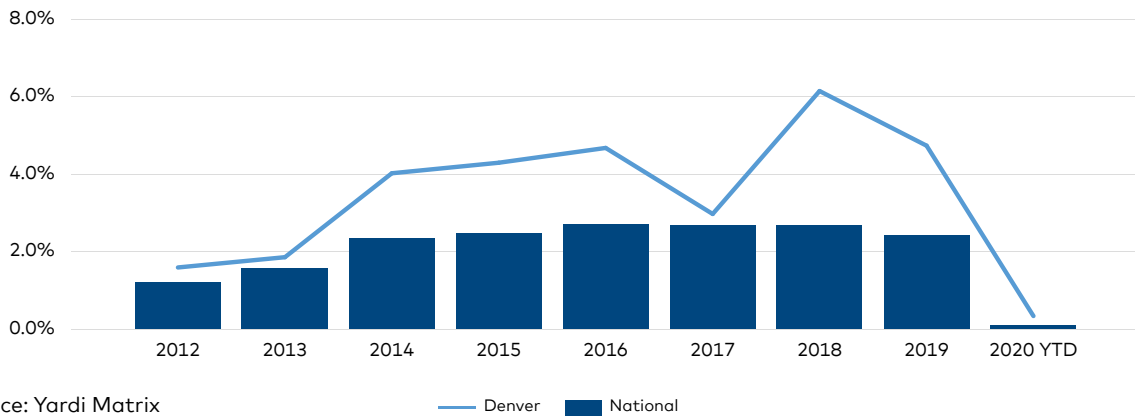
Sources: U.S. Census, Moody's Analytics

# SUPPLY

- ▶ Developers had 23,929 units underway in the metro as of January, most of them catering to Lifestyle renters. In 2019, more than 13,000 apartments came online, representing 4.8% of total stock and outpacing the 2.4% national figure.
- ▶ Inventory growth in Denver began to accelerate in 2018, when it recorded a cycle peak of 16,151 units. Absorption has been strong—maintaining occupancy in a relatively tight band—while rent growth decelerated, dropping below the national average for the first time since April 2019. The metro’s pipeline also included 77,000 units in the planning and permitting stages.
- ▶ Developers were particularly active in the CBD/

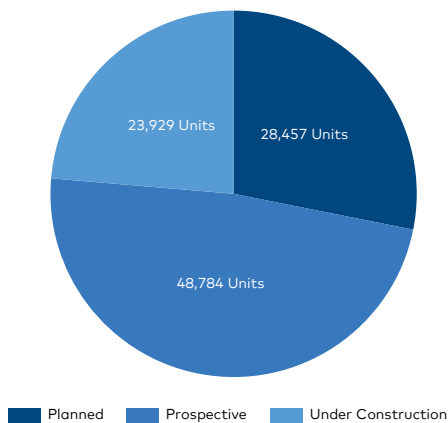
Five Points/North Capitol Hill submarket, which had 5,489 units underway. Last year, the downtown area gained 5,492 jobs (up 4.1%), according to the 2019 State of Downtown Denver report. The report also noted that this part of the city saw a 13% population growth rate in 2019, while high-tech employment rose by 103% since 2010. Last year’s notable employers included tech firms Quizlet (300 jobs) and Slack (550 jobs)—which expanded their footprint beyond Silicon Valley—as well as Fortune 500 company VF Corp., which moved its corporate headquarters to downtown Denver, bringing 800 new jobs.

**Denver vs. National Completions as a Percentage of Total Stock** (as of January 2020)



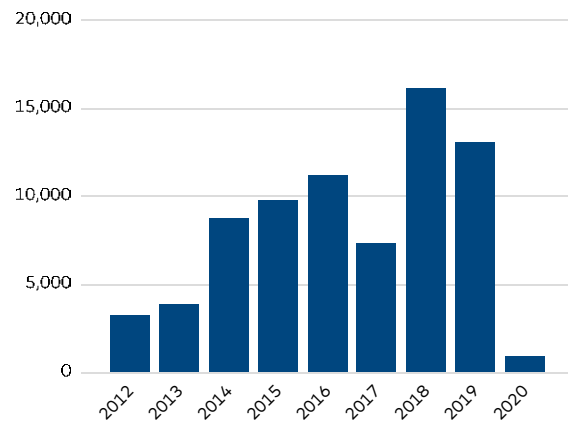
Source: Yardi Matrix

**Development Pipeline** (as of January 2020)



Source: Yardi Matrix

**Denver Completions** (as of January 2020)



Source: Yardi Matrix

## TRANSACTIONS

- Nearly \$5 billion in multifamily assets traded in Denver in 2019, at an average price per unit of \$241,731, significantly higher than the \$168,177 national figure.
- Lured by the market's strong fundamentals and prospects for continued rent growth, investors focused on both Lifestyle and Renter-by-Necessity properties. Acquisition yields ran from the 4.3% to 4.8% range for stabilized Class A assets in infill locations to as high as the 7% range for Class C value-add communities in the suburbs.
- The \$304 million sale of Union Denver by daydream, a 579-unit apartment community in downtown Denver, was the metro's largest multifamily deal of 2019. Holland Partners sold the 13-story, Whole Foods-anchored property to daydream apartments for \$525,043 per unit, marking another record for 2019.

### Denver Sales Volume and Number of Properties Sold (as of January 2020)



Source: Yardi Matrix

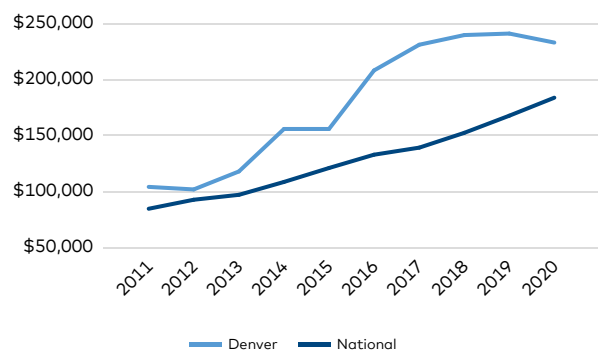
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Hampden/Virginia Village/ Washington Virginia Vale	975
CBD/Five Points/ North Capitol Hill	470
Arapahoe-Southwest	390
Northglenn/Thornton	370
Westminster	347
Broomfield/Todd Creek	311
Aurora-Southwest	263

Source: Yardi Matrix

<sup>1</sup> From February 2019 to January 2020

### Denver vs. National Sales Price per Unit



Source: Yardi Matrix

## TOP 5 WESTERN MARKETS FOR MULTIFAMILY DELIVERIES



By Anca Gagiuc

data by  
**Yardi® Matrix**

Multifamily construction has been robust in recent years, with deliveries on a national level averaging 300,000 units per year since 2015. We've taken a look at the Western region—comprising Albuquerque, N.M.; Boise, Idaho; Colorado Springs, Colo.; Denver; Las Vegas; Phoenix; Reno, Nev.; Salt Lake City; and Tucson, Ariz.—and selected the top five metros with the most multifamily completions as a percentage of existing stock in 2019.

Rank	Metro	Percentage of stock	Units Completed
5	Reno	2.49%	1,281
4	Phoenix	2.82%	8,874
3	Colorado Springs	2.86%	1,217
2	Denver	4.37%	12,464
1	Boise	5.31%	1,258

### Denver

Denver's sustained supply growth stemmed primarily from its status as a recognized tech hub. Its business-friendly environment and highly educated workforce kept the professional and business sector in the leading position for jobs added in 2019. To keep up with sustained demand for apartments last year, developers expanded the housing inventory by 4.4 percent, or 12,464 units. This followed the cycle peak in 2018, when more than 16,100 units came online.







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CBRE Arranges \$46M Acquisition

The team of Dan Woodward, David Potarf and Matt Barnett negotiated the deal on behalf of the seller.



Gelt Increases Denver Presence With \$145M Buy

JLL represented the buyer in its purchase of Kallisto at Bear Creek, located in Lakewood, Colo.



Colliers Closes Value-Add Sale

Clear Capital LLC entered the Colorado market after paying \$26.1 million for the 200-unit community. The property last traded in 2013.



Embrey Partners Sells Asset For \$145M

The 382-unit multifamily community is located at the entrance to the city's West Colfax corridor and near Mile High Stadium.



AQP Capital Sells 2 Communities

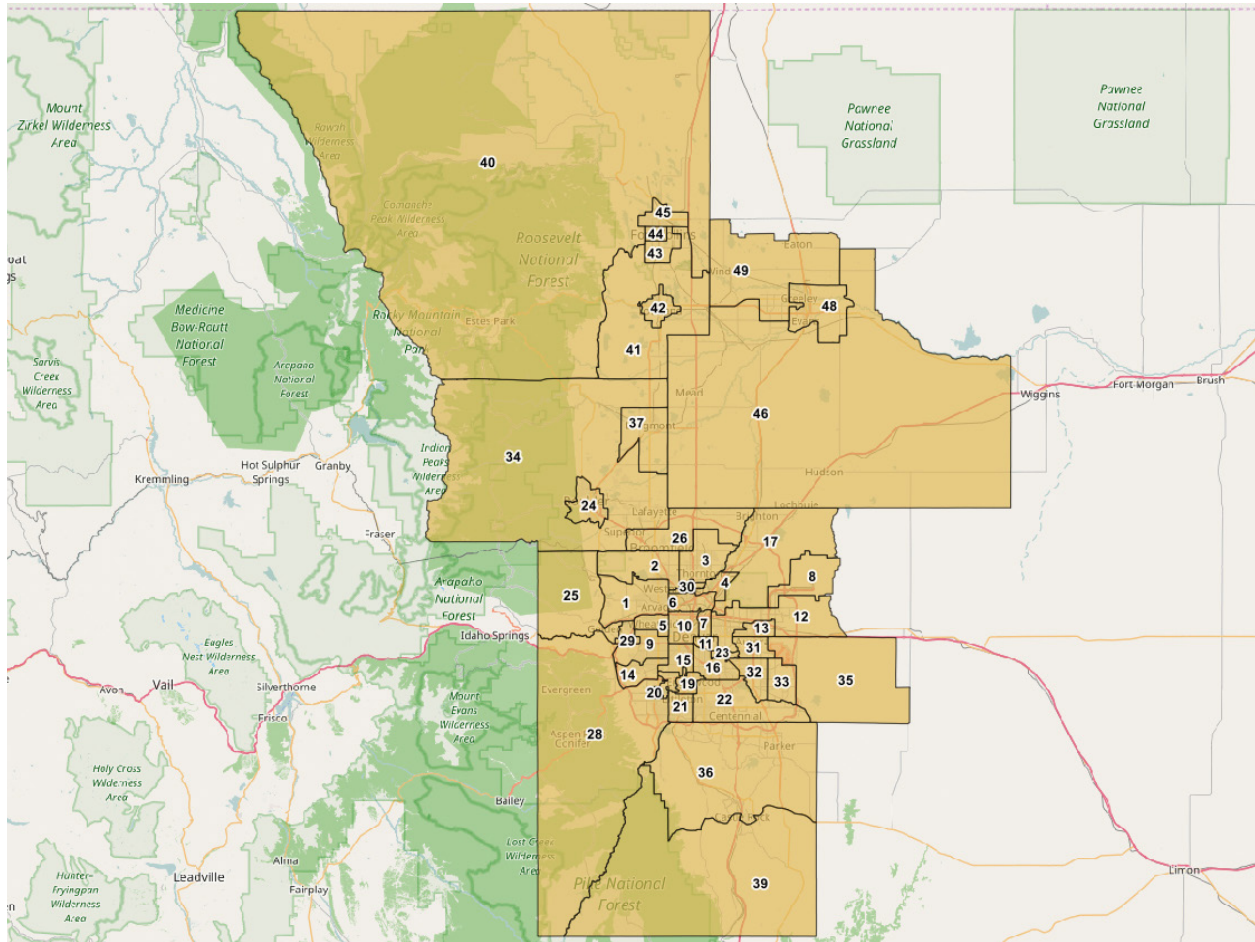
The communities are within walking distance of the Anschutz Medical Campus, and offer easy access to a variety of dining and retail options.



Mission Rock To Manage New Property

Located within walking distance of the Evans light rail station, the property traded in December for \$70 million.

# 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 may 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 may 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, may 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

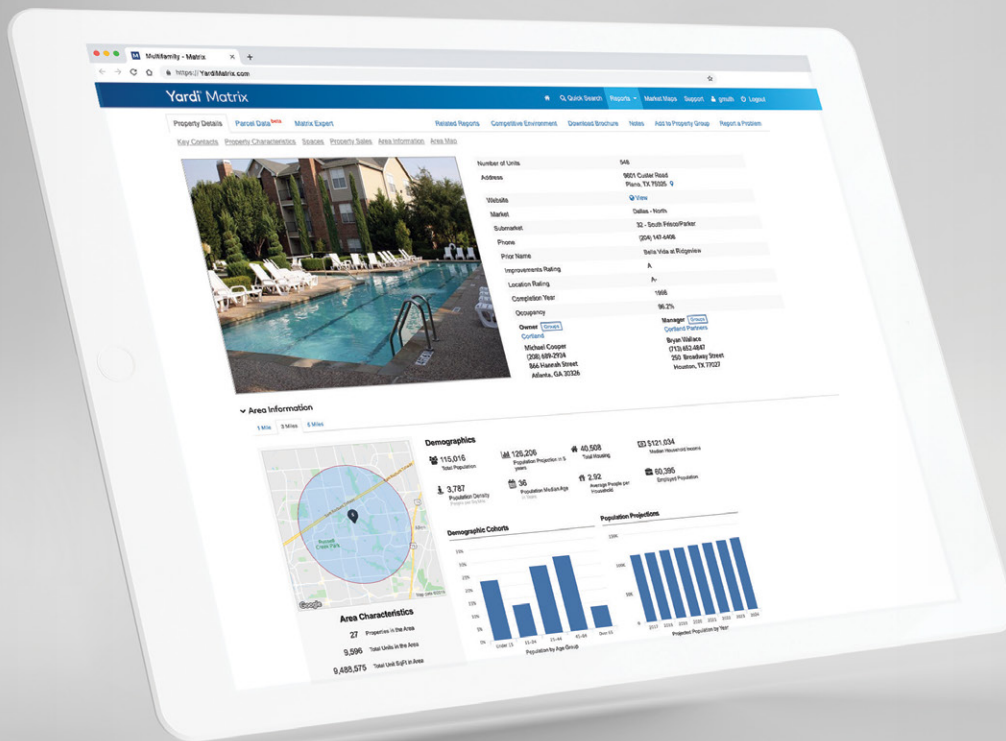
The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

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.

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