



Colliers

Denver

Multifamily

21Q2

126-Unit, 2021 YOC, Core Multifamily Investment Opportunity
Exclusively Marketed by Colliers Multifamily Team | Denver, CO

The Denver Metro multifamily market shined over the past 90 days, breaking records across the board. With absorption rising and vacancy dropping, the market is full-steam headed into Q3, with the same trends expected to continue.

Accelerating success.



Denver Multifamily 21Q2

Multifamily Breaking Records

- Metro Denver's vacancy rate quarterly drop was largest on record
- Rental rates reach historic highs at \$1,664 average rate per unit
- More than 15,076 units under construction
- Over \$2.2 billion across 27 transactions with an average price per unit at \$298,455



Denver Multifamily is Thriving

Covid vaccinations are finally available to the entire population and the state is returning to a pre-pandemic normalcy. With 51.7% of Coloradoans vaccinated, Covid restrictions are becoming a thing of the past. The Colorado unemployment rate has reached a 12-month low at 5.9% in May compared to 11.6% at this time last year. While the retail and office markets are slower to recover from the pandemic, the multifamily market is stronger than ever, recording one of the best quarters in the past five years. There have been 7,553-units sold since April 1st, including five transactions over \$100 million, generating a total sales volume of over \$2.2 billion. Apartment complexes are not only selling rapidly, but also constructing rapidly. Five properties totaling over 1,400 units delivered during Q2. These newly constructed units are in high demand as, despite the increase in inventory, vacancy has reached a 12-month low this quarter at 5.8%. With the demand to live in Denver only strengthening, rent is up 10% YTD, outperforming the nation for the first time since the start of the pandemic. Absorption also recorded historic numbers this quarter, even with the city still recovering from the pandemic. The outdoor amenities, booming economy, and young crowd in tandem with the influx of companies moving to Denver is what makes Denver so attractive to people, and with the red-hot housing market making it very difficult to buy a house, the multifamily market has thrived. The Denver multifamily market should ride the momentum of an outstanding second quarter through the rest of the year.

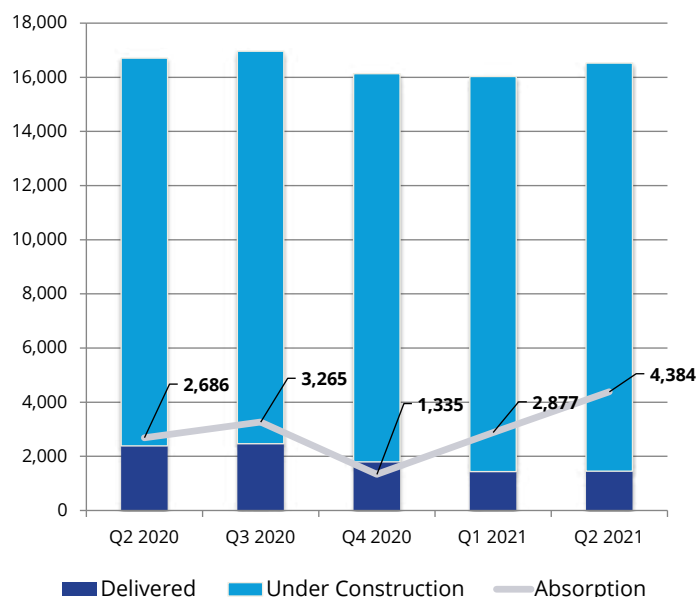
Market Indicators



Historic Comparison

	21Q2	21Q1	20Q2
Total Inventory (Existing Units)	260,592	259,144	253,175
Units Delivered	1,448	1,436	2,385
Units Absorbed	4,384	2,877	2,686
Occupancy	94.20%	92.90%	92.10%
Under Construction	15,076	14,596	14,320
Average Monthly Rent	\$1,664	\$1,539	\$1,509

Market Graph

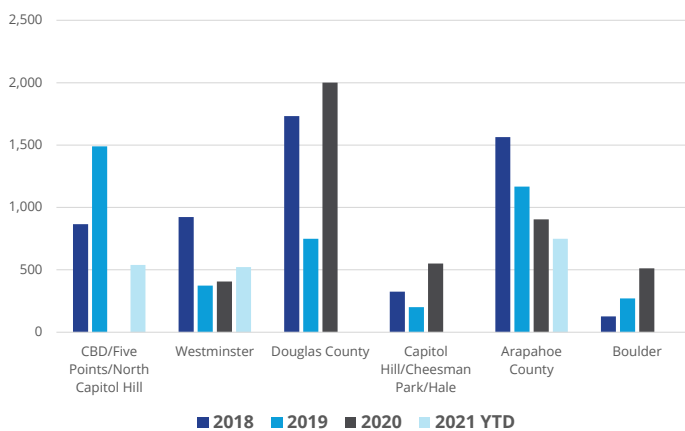


Denver's occupancy rate rose an astonishing 1.3% during the quarter. Rental rates rose from \$1,539 to \$1,664.

Construction

High lumber prices and labor shortages have harmed multifamily construction across the nation this past quarter. Lumber yards that shut down during covid are struggling to meet the strong post-pandemic demand. Lumber prices hit historic highs in May, delaying developments nationwide. Despite these hardships, the Denver multifamily market has remained robust. The metro area delivered 1,448 units in Q2, just a 1% increase from Q1. One of these projects included the 363-unit Legacy at Fitz located in Aurora that delivered in June. What Denver didn't deliver in Q2 will be delivered soon, as Denver is seeing the highest number of under construction units in the past 4 quarters. Denver only trails Phoenix, Seattle, and Los Angeles in terms of construction activity in the western region with over 15,000 units in development. Expect to see a supply increase as projects that were delayed due to Covid hit the market. On top of many existing projects, there were many sites that broke ground in the past three months. The Novel RiNo at 1300 40th St. began construction in May and is a 483-unit, Class A project expected to be completed by August of 2022. As the price of lumber drops and the labor force grows, construction will continue to increase into the 3rd quarter.

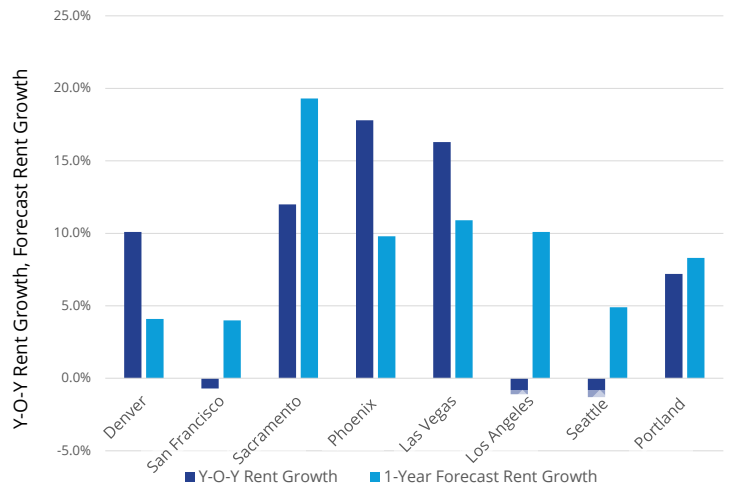
Submarket Unit Completions by Year



Investment Activity

Investment activity has reached unprecedented levels this quarter with three sales in June alone totaling over \$820 million. Leading the charge was Crow Holdings' purchase of the 1,184-unit Palomino Park Resort in Littleton, CO. With a purchase price at a whopping \$435 million, this transaction marks the largest single-asset apartment trade in Colorado history. Following this milestone is CIM Group, LP purchasing The Lex at Lowry, a 721-unit apartment building in Denver, CO for \$201.85 million. Also in June was the purchase of Aspire 7th and Grant by Clarion Partners for \$91 million. According to Costar, this sale set the Denver record for the most expensive per unit purchase of a building with at least 100 units, at \$511,236 per unit. These huge record-breaking sales show just how hot the multifamily market is in Denver. This quarter logged 7,553 units sold at an average price per unit over \$295,000. Total transaction volume is more than five-times what it was in Q2 2020, totaling over \$2.2 billion. Investment activity flourished this quarter making it clear that investors want a piece of the growing economy and high quality of life that Denver offers.

Denver vs. the United States



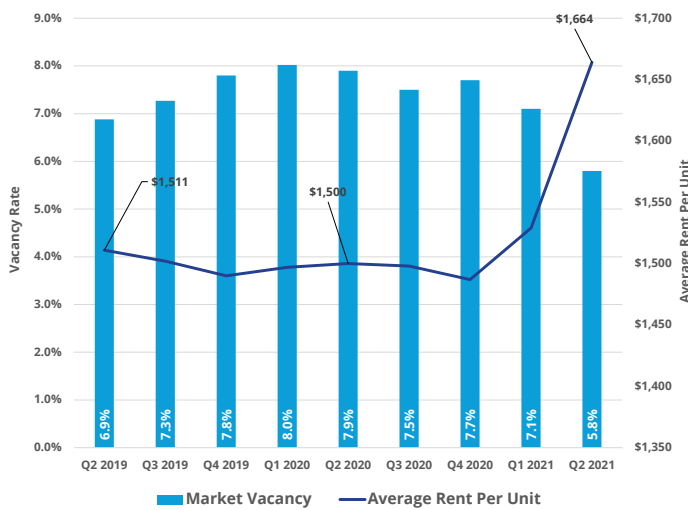
PROPERTY	CITY	SALE PRICE	# OF UNITS	Price Per Unit	Buyer
PALOMINO PARK RESORT	Littleton	\$435,000,000	1,184	\$367,399	Crow Holdings
THE LEX AT LOWRY	Denver	\$201,850,000	721	\$279,958	CIM Group, LP
THE HENRY	Denver	\$183,500,000	403	\$455,335	Eaton Vance Real Estate Group
PARQ AR ILIFF STATION	Aurora	\$134,000,000	424	\$316,038	29th Street Capital
FLETCHER SOUTHLANDS	Denver	\$103,300,000	320	\$322,813	Summit Communities

Source: CoStar

Vacancy and Absorption

Receiving new residents during a pandemic isn't always expected. But during this recession, Denver performed vigorously by increasing inventory and decreasing vacancy. Vacancy made the largest quarterly decrease on record, dropping from 7.1% in Q1 to 5.8% in Q2. The majority of vacancies are coming from Class A apartments, reporting a vacancy rate of 7.6%, while Class C apartments put out a vacancy rate of 4.3%. Absorption has also recorded a new quarterly record with over 4,300 units absorbed. Class A apartments led this impressive figure with 2,501 units absorbed and Class B apartments just trailed with 1,487 units absorbed. The market should continue to record decreasing vacancy and increasing absorption into Q3.

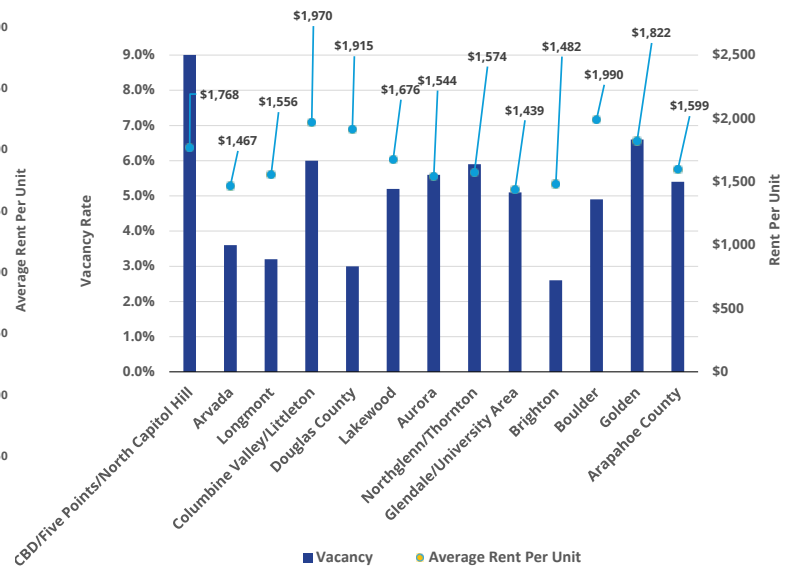
Market Vacancy and Average Market Rents



Lease Rates

Lease rates have been profoundly growing coming out of the pandemic as the city starts to get back into full swing. Q1 posted an average rate per unit of \$1,539 and has since grown to \$1,664 over the past quarter. The \$125 rent increase set a record for the largest quarterly net rent increase in the Denver metro area. This 7.5% change is forecasted to grow another 4.1% by the end of Q2 in 2022. Boulder led the Denver submarkets in average rent per unit this quarter at \$1,990 per unit and Glendale offered the cheapest rent at \$1,439 per unit. While many western cities, including Seattle, Los Angeles, and San Francisco, recorded negative YOY rent growth during the pandemic, Denver has maintained an impressive increase in rent prices quarter after quarter.

Rent and Vacancy By Submarket



	Vacancy	Average Rent Per Unit	Buildings	Inventory Units	Inventory Units Prior Period	Under Construction	12 Mo absorption	12 Mo Absorption prior period
CBD/Five Points /North Capitol Hill	9.1%	\$1,768	59	11,909	11,370	1,404	686	489
Arvada	3.6%	\$1,467	45	6,517	6,517	-	131	172
Longmont	3.2%	\$1,556	30	3,737	3,737	406	341	315
Columbine Valley/Littleton	6.0%	\$1,970	44	10,127	9,848	464	491	479
Douglas County	3.0%	\$1,915	70	20,473	20,339	1,258	1,258	2,063
Lakewood	5.2%	\$1,676	87	16,272	15,846	890	740	548
Aurora	5.6%	\$1,544	144	37,847	36,597	706	1,155	822
Northglenn/Thornton	5.9%	\$1,574	63	18,321	17,739	-	413	153
Glendale/University Area	5.1%	\$1,439	104	21,547	21,484	833	548	231
Brighton	2.6%	\$1,482	16	2,511	2,511	315	80	190
Boulder	4.9%	\$1,990	53	7,226	7,115	828	355	264
Golden	6.6%	\$1,822	19	2,785	2,723	-	84	93
Arapahoe County	5.4%	\$1,599	251	59,081	57,640	1,372	1,597	1,071

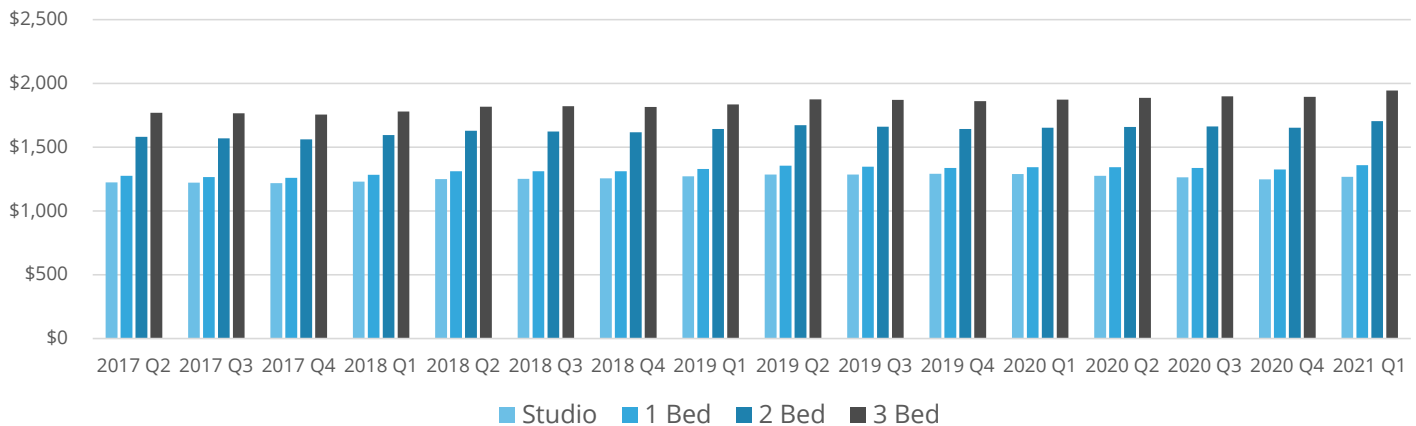
Eviction Moratorium

Joe Biden recently extended the eviction moratorium one extra month, changing the policy's expiration date to July 31st. The moratorium prohibits landlords from evicting tenants in certain financial situations because of the global pandemic's fiscal adversities. When the moratorium expires on July 31st, landlords may begin the eviction process by demanding repayment. This will give renters 30 days to pay landlords their back rent owed since the moratorium enactment. According to recent U.S. Census survey data, there are roughly 80,000 renters in Colorado who are currently behind on payment. So, unless rental assistance programs step in and aid both renters and landlords, look out for a tsunami of evictions starting in August.

1031 Exchanges

The 1031 exchange is a tax evasion tool that allows real estate investors to avoid capital gains tax on the sale of an investment property when the proceeds of that sale go to investing in a similar property. The tax liability merely jumps to the next investment. These exchanges have been around for over a century, but the change in power this past election year puts this section of the US tax code at risk. President Biden is proposing capping the deferred gains at \$500,000 for single taxpayers and \$1,000,000 for married taxpayers in order to help fund his American Family plan which aims to help American families attain a middle-class lifestyle. Critics of 1031 exchanges say the policy has evolved far from its original purpose and now disproportionately favors the wealthy. Backers of the exchange say that these like-kind exchanges promote economic activity by encouraging reinvestment in communities and are used by all wealth classes, not just the rich. The future of the 1031 exchange is still unknown, but expect to see investors feel pressure to complete these exchanges in the near future while they still can.

Metro Denver Asking Rent Per Unit By Bedroom



Denver Metro	# of Units	Avg. monthly rent per unit	Absorption # of units	Absorption # of Units Previous Year	Occupancy rate	Occupancy rate previous year
Class A	88,435	\$1,940	2,501	1,852	92.40%	88.50%
Class B	103,680	\$1,603	1,487	721	94.60%	92.90%
Class C	68,491	\$1,282	566	107	95.70%	95.20%



Colorado Springs

Multifamily

21Q2

Key Takeaways

- Colorado Springs' vacancy rate dropped 30 basis points from the previous quarter
- Absorption dropped from 541 units in Q1 to 372 units in Q2
- Rental rates continue to increase to \$1,356, up 11.6% YOY
- More than 3,300 units are under construction



Vacancy Rate (YOY)*

Q2 2020 7.40% Q2 2021 5.60%



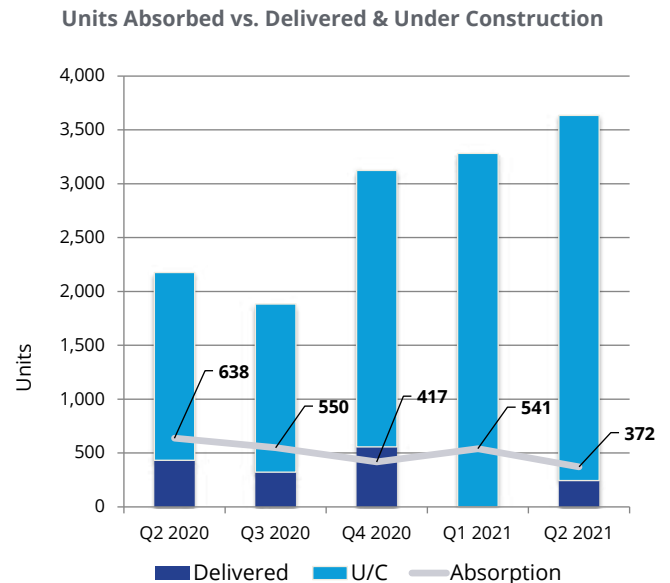
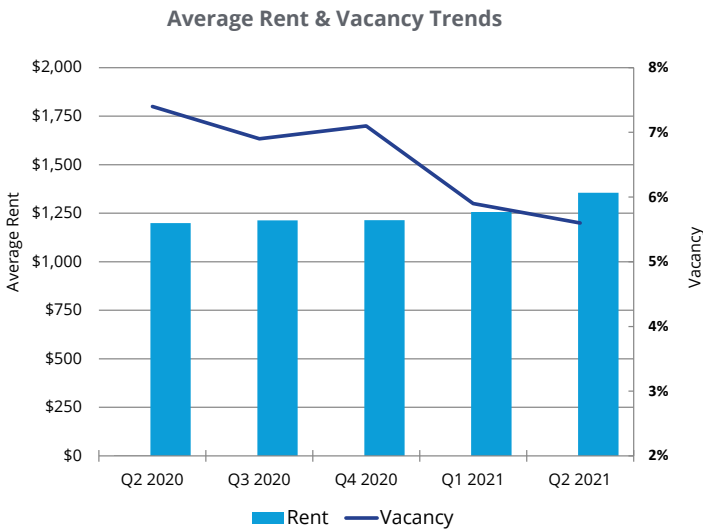
Average Rent (YOY)*

Q2 2020 \$1,199 Q2 2021 \$1,356



Average Rent (YOY)*

Q2 2020 1,744 Q2 2021 3,389



Sales Activity

PROPERTY	CITY	SALE PRICE	# OF UNITS	Price Per Unit	Buyer
QUAIL COVE*	Colorado Springs	\$42,122,000	200	\$210,610	Trion Properties
HIGHLAND PARK*	Colorado Springs	\$37,878,000	206	\$183,874	Trion Properties
LOOKOUT AT BROADMOOR	Colorado Springs	\$25,150,000	150	\$167,667	Stratford Partners
GARDENS AT HIDDEN CREEK APARTMENTS	Colorado Springs	\$17,500,000	124	\$141,129	N/A

*Part of portfolio sale
Source: CoStar



Northern Colorado

Multifamily 21Q2

Key Takeaways

- Northern Colorado's vacancy decreased 420 basis points over the past 2 quarters
- Absorption in units continues to increase
- Rental rates increased to \$1,392 compared to Q1's \$1,307
- More than 1,300 units are under construction



Vacancy Rate (YOY)*

Q2 2020 9.30%
Q2 2021 5.70%



Average Rent (YOY)*

Q2 2020 \$1,291
Q2 2021 \$1,392

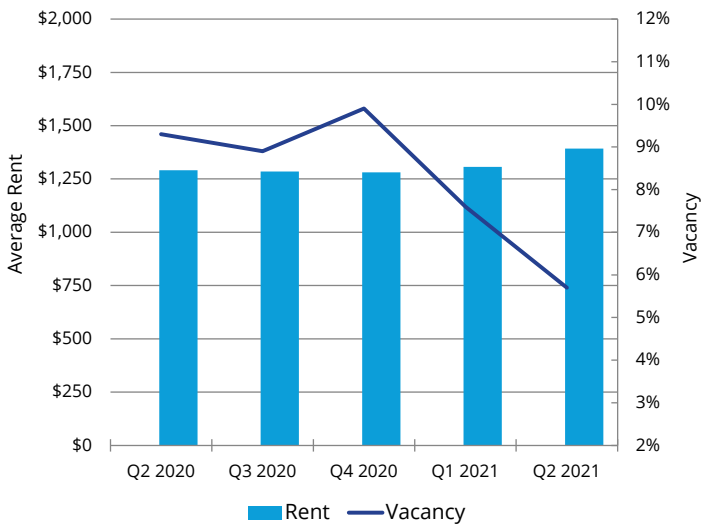


Average Rent (YOY)*

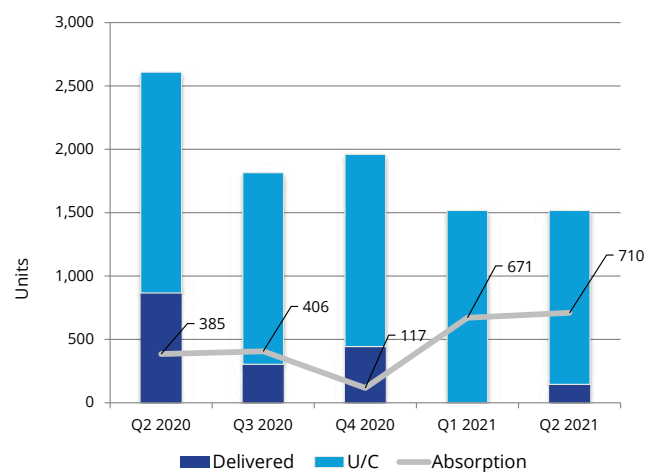
Q2 2020 1,744
Q2 2021 1,371



Average Rent & Vacancy Trends



Units Absorbed vs. Delivered & Under Construction



Sales Activity

PROPERTY	CITY	SALE PRICE	# OF UNITS	Price Per Unit	Buyer
BUCKING HORSE APARTMENTS	Fort Collins	\$101,000,000	322	\$313,665	Equus Capital Partners, Ltd
CORTLAND @ 2534	Johnstown	\$71,000,000	254	\$279,528	Cortland
STONE CREEK*	Fort Collins	\$37,740,000	168	\$224,643	Brickstone Partners
THE LANDMARK APARTMENTS*	Fort Collins	\$26,775,000	120	\$223,125	Brickstone Partners

*Part of portfolio sale
Source: CoStar

351 offices in 67 countries on 6 continents

United States: 115
Canada: 41
Latin America: 12
Asia Pacific: 33
EMEA: 78



\$3.3B
in revenue



2B
square feet under management



18,000 +
professionals and staff

About Colliers

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