

The background of the cover features a vibrant scene of a golf course in the foreground with several trees, and the Denver skyline in the background under a clear blue sky. Snow-capped mountains are visible behind the city buildings. The entire image is framed by a thin blue border.

SPRING 2020
**MARKET INSIGHT
REPORT**

DENVER
COLORADO, MSA

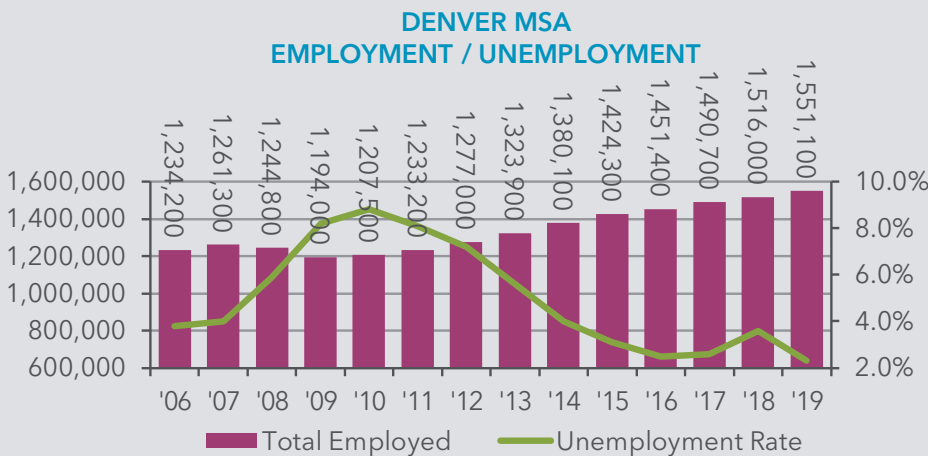
GREYSTONE

EMPLOYMENT / UNEMPLOYMENT

The Denver metro economy accelerated in 2019, with the addition of 35,100 jobs. This advanced job growth by 2.3%, a sizeable gain from 1.7% the year prior. Unemployment tightened to a mere 2.3% in December, an improvement of 130 basis points and one of the lowest rates on record of any large U.S. metro market. Only the Salt Lake City; Boston; Birmingham; Miami; San Francisco; and San Jose metro markets had lower rates for the same period. Tech hiring was strong in 2019, with Amazon, Slack, and PaySimple leasing large blocks of office space. Metro Denver saw annual net absorption of 2.0 million square feet of office space in 2019, its best showing since 2014. The mining, logging, and construction sector saw a 4.1% YoY increase in employment, while the sizeable education and health services sector soared by 4.8% YoY. The financial activities and the information sectors were both up over 3.0% for the year.

Indicators are bright for Denver heading into 2020, with local consumer confidence up 10.5% in January from a year prior, to 143.7. This level of confidence was

above the national index of 131.6. Gusto announced plans to employ a total of 1,500 people in Denver by 2020. The San Francisco-based payroll and benefits company currently employs 885 people in Denver, growing from just seven employees in 2015. Southwest Airlines has chosen Denver for the site of a major company expansion that could bring over 1,000 jobs to Denver International Airport (DEN) over the next eight years, while Norwegian Air announced added service, which could create 350 new jobs. DEN's contribution to the state of Colorado's economy increased by nearly 30% from 2013 to 2018. DEN has grown to become a \$33.5 billion economic contributor for the state. In 2019, nearly 70 million passengers were served, and jobs created by DEN have grown from 183,878 in 2013 to 259,084 in 2019.



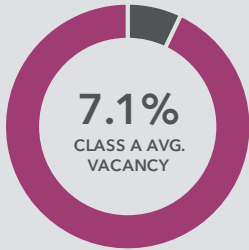
Source: Bureau of Labor. All annual figures through December.

3,035,280 EST.
+1.3% ANNUAL GROWTH
DENVER MSA
2020 POPULATION

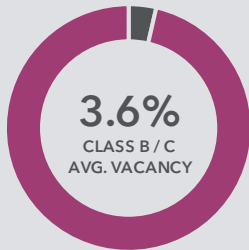
\$83,423 EST.
DENVER MSA
MEDIAN HOUSEHOLD INCOME

127.9
DENVER MSA
COST OF LIVING INDEX
U.S. Avg. = 100.0

 **\$1,714**
CLASS A AVG. RENT



 **\$1,152**
CLASS B / C AVG. RENT



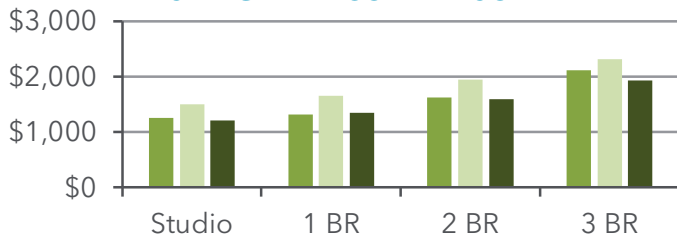
RENTAL MARKET

The Denver metro area realized an average rent increase of 4.8% YoY in 2019, with average rent increasing from \$1,418 to \$1,486. Though a sizeable gain, this was Denver’s slowest rental growth rate of the past few years. The fourth quarter brought only a 0.3% increase, taking some steam out of the market’s momentum. Still, the annual gain was above that of the West (3.8%) and of the U.S. (3.7%). Mean unit prices in the metro for 4Q were as follows: studios \$1,252, one bedrooms \$1,317, two bedrooms \$1,625, and three bedrooms \$2,109.

Class A properties realized an increase of 4.6% overall for average asking rent, to \$1,714, though the fourth quarter provided a small gain of just 0.2%. This slowing pace may reflect the higher vacancy in that segment, which was at 7.1%. Class B / C properties gained with 3.9% rent growth YoY, to \$1,152, with a final 2019 quarterly gain of 0.7%.

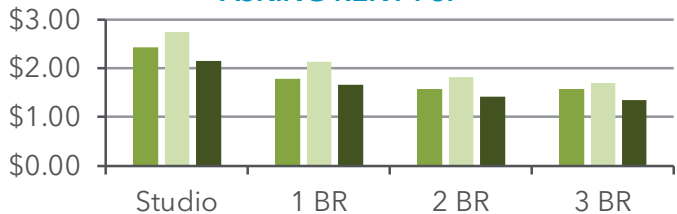
Another strong year of apartment development is on the horizon, with 8,316 units set to be delivered in 2020, a 14.0% increase over 2019’s volume. The market vacancy rate is expected to rise by 40 basis points to finish 2020 at 6.1%. On an annualized basis, asking rent is projected to advance at a rate of 4.8% in 2020, and by 3.7% in 2021, reaching an average of \$1,616.

ASKING RENT COMPARISON



Source: Reis, 4Q 2019

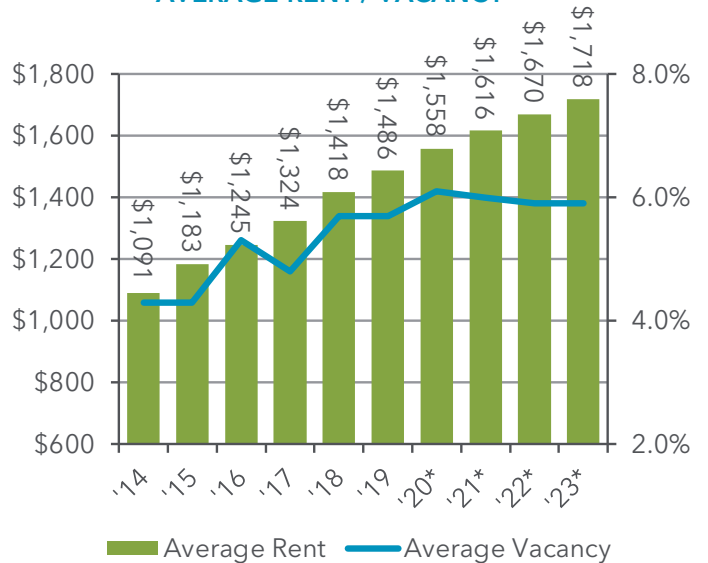
ASKING RENT PSF



Source: Reis, 4Q 2019

■ Denver ■ West ■ U.S.

DENVER MSA APARTMENT MARKET AVERAGE RENT / VACANCY



Source: Reis, All annual figures year end, *Projected

SUBMARKET CONSTRUCTION



THE MEZZ AT FIDDLER'S GREEN

The Mezz at Fiddler's Green, opening summer 2020, will feature 149 luxury apartment units in a mixed-use setting of retail, office, and outdoor entertainment. The property is located in Centennial, just off I-25, and is near to an abundance of shopping and dining venues, as well as being a 22-minute commute to downtown Denver.

Centennial is Colorado's 10th most-populous city, with a population exceeding 111,000 residents. The city's population has expanded at 1.2% annually on average over the past decade.

Some of the more than 5,400 apartment units recently projected to finalize in the fourth quarter 2019 were pushed back to 2020. Expected are completions of 8,316 new units for 2020, while a slackening to 5,125 new units will follow in 2021, with further reductions to development anticipated ahead. Denver-Downtown vacancy was 15.7% at year-end 2019, and 1.06 months free rent was the average concession. Consequently, developers and lenders are taking a more measured approach as that area grapples with oversupply.

The areas of North Jefferson County, Stapleton, and Aurora are seeing renewed interest, with each of these areas benefiting from increased commercial development brought about by recently completed light rail lines (the A-Line, R-Line, and G-Line). Across Denver metro throughout 2019 and 2020, approximately 8,000 residential units, 500,000 s.f. of retail space and 1.5 million s.f. of office space are estimated to be added to the market in TOD-designed districts. Between 2005 and 2018, development around transit stations operated by the Denver Regional Transit District – excluding downtown Denver, Union Station, and Boulder – has included 904 office properties worth \$2.3 billion (6.9 million s.f. of space), and 520 multifamily properties (13,800 units) worth \$3.7 billion.

SUBMARKET	COMPLETED	UNDER CONSTRUCTION	PLANNED / PROPOSED
Arvada / Broomfield	865	681	958
Westminster	320	0	582
N Glenn / Thornton	96	92	649
Golden / Wheat Ridge	0	416	372
Denver - North	746	2,501	7,750
Denver - Northeast	698	390	596
Lakewood North	88	291	851
Denver - Central	989	1,032	3,654
Aurora - North	797	1,085	1,084
Lakewood - South	0	250	260
Denver - South	1,052	986	1,224
Littleton	352	0	0
Arapahoe County	140	149	149
Aurora - South	456	780	147
Denver - Downtown	1,629	316	1,137
Douglas County	1,125	200	224
Non-Submarket Areas	0	0	253

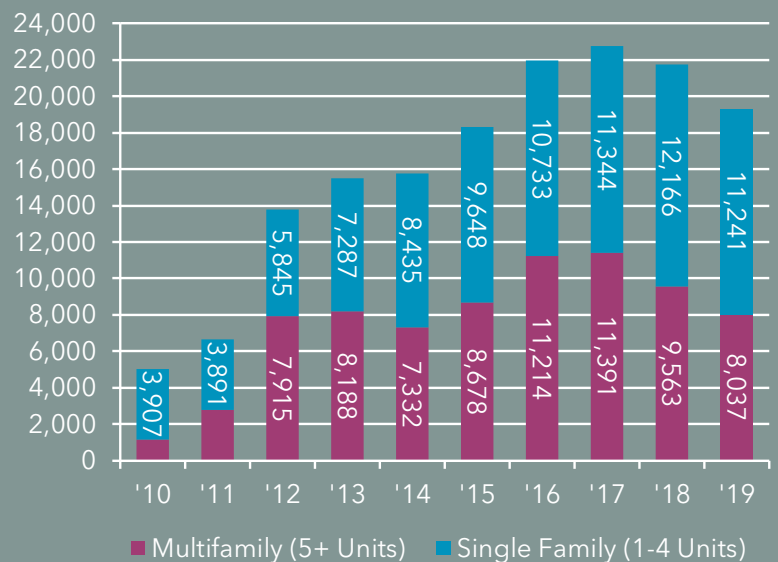
Source: Reis, 4Q 2019, Partial List of Submarkets, *Completed Construction 3Q 2018 - 4Q 2019

PERMITS

The permit count for multifamily dwellings concluded 2019 down 16% YoY to 8,037 units, falling to their lowest level since 2014. In addition, condo and townhome planned development is superseding apartment product, with 60% of planned multifamily development not categorized as rental. At close of 2019, Denver-based Ubuntu Partners spent \$5.53 million to acquire 0.65 acres on Park Avenue West and Champa Street in Arapahoe Square toward development of Evolve Towers, a 314-unit condo development, according to BusinessDen. Condo options are trending toward modern townhome style, and infill projects in the urban core with two- and three-story townhomes are most common. Balconies, rooftop decks, and garages are favored amenities. Lakehouse 17, which overlooks Sloan Lake, is a high-rise luxury condo development that opened in 2019. Asking prices range from \$525,000 to \$1.71 million / unit.

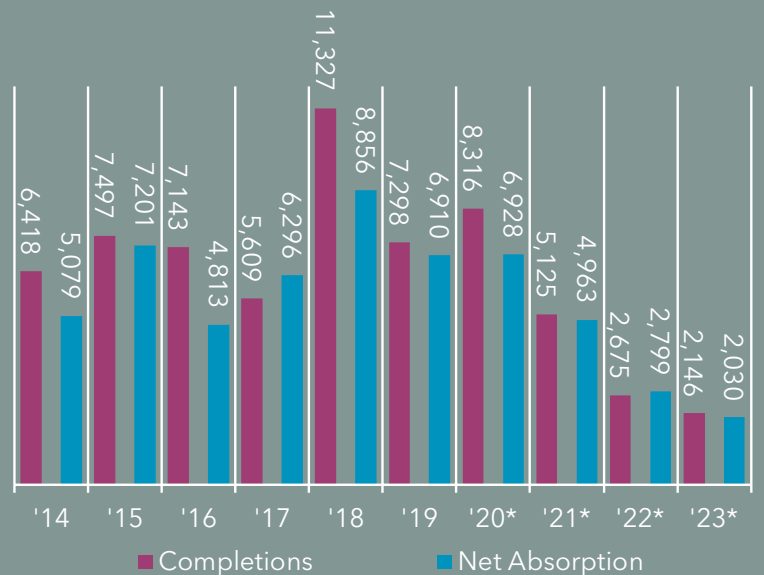
The Denver Metro Association of Realtors reports that the median sold price for single-family homes was \$420,000 in January 2020, rising 5.8% YoY. Detached homes had a median price of \$460,000 for January, while attached single-family had a closed median price of \$310,000, up almost 12% YoY. Overall, active for-sale inventory was down 16% in January as compared to one year prior. The Denver metro's median sold price runs 30% higher than the national median, or nearly \$100,000 more. According to the last Consumer Expenditure Survey by the U.S. Bureau of Labor, from 2017-2018 the average annual expenditure for housing in the Denver region was \$25,164 as compared to \$19,971 nationally.

**TOTAL RESIDENTIAL BUILDING PERMITS
DENVER METRO AREA**



Source: U.S. Census, Multifamily Includes Condos

**DENVER MSA APARTMENT MARKET
COMPLETIONS / NET ABSORPTION**



Source: Reis. All figures are annual totals. *Projected

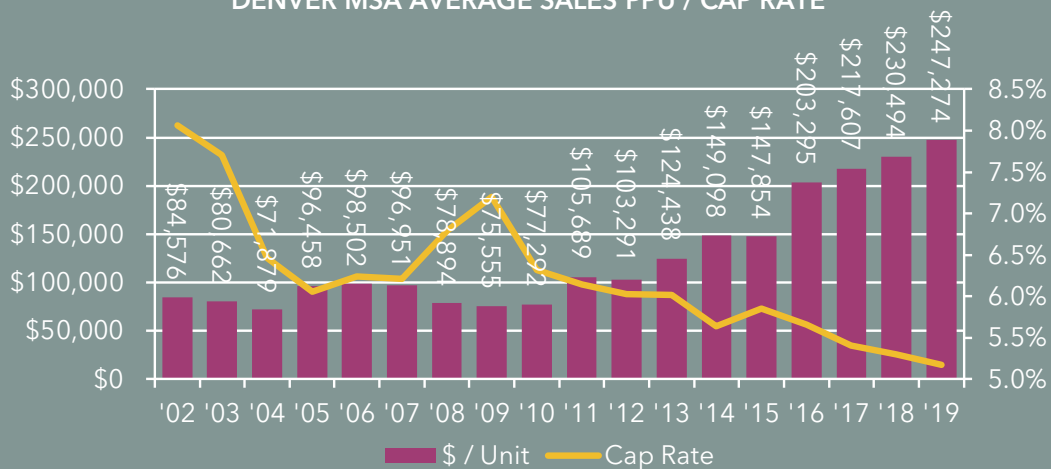
AVERAGE SALES

Investors remained active in Denver's multifamily market in 2019, with trade volume rising by 9.0% from the year prior. More than \$5 billion of assets traded for the fourth-consecutive year in 2019, with about 9% of inventory sold. CoStar's Price Index concludes that values continued to climb in 2019 at 5% appreciation. Cap rates continued to trend down, near to a flat 5.0%, the sixth-consecutive year at sub-6.0% and now at cyclical lows.

Investment activity was especially brisk in the fourth quarter of 2019. More than \$1.6 billion worth of assets traded, marking a high for the year.

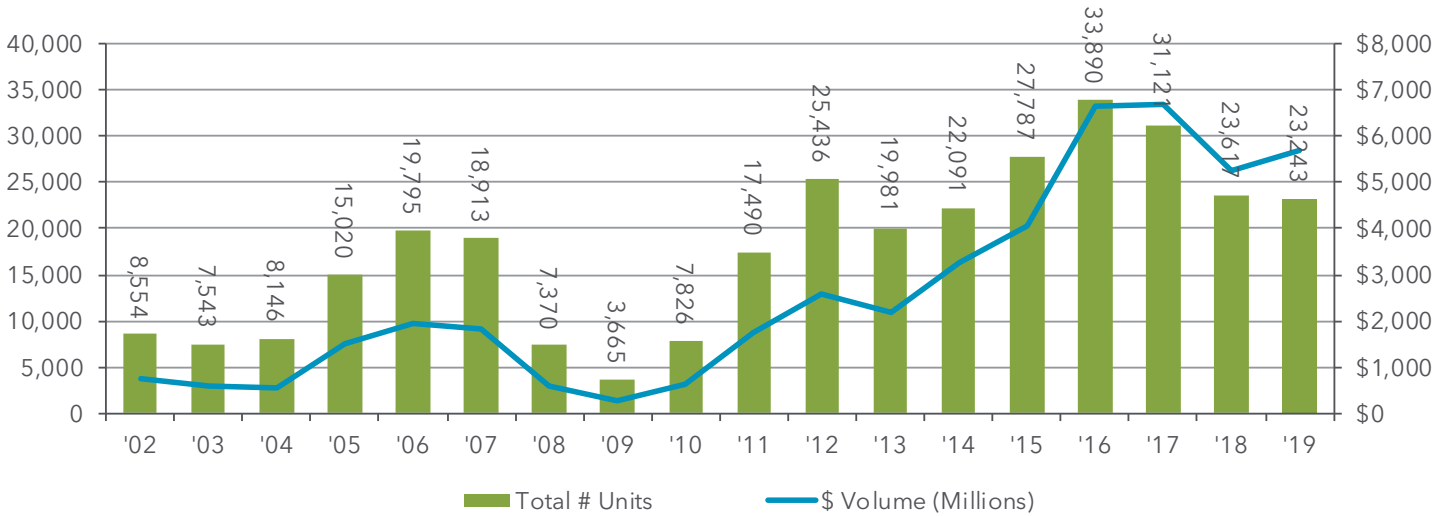
In December, Washington-based Global Asset Capital acquired the newly constructed 386-unit Luxe at Mile High near Mile High Stadium from Embrey Partners for \$145 million (\$374,677 per unit). Also active is Chicago-based Equity Residential, which announced plans in a July 2018 earnings call to re-enter the Denver market and spend \$1.5 billion on apartments. The firm has since acquired five properties valued at nearly \$600 million. In another recent earnings call, Equity stated it would increase its Denver investment to \$2 billion, aiming to derive 5% of net operating income from Denver properties, up from 1.5% currently. Equity Residential views the challenged performance of the downtown market as temporary, hoping to capitalize on strong fundamentals as the current wave of apartment development subsides.

DENVER MSA AVERAGE SALES PPU / CAP RATE



Source: Real Capital Analytics. Based on sales of \$2.5 million and greater.

**APARTMENT SALES TRANSACTIONS
DENVER METRO AREA**



Source: Real Capital Analytics. Based on sales of \$2.5 million and greater.

GREYSTONE TRANSACTION ACTIVITY



PARK CHEESMAN
Denver, CO 80206
Class B

Number of Units:	88
Sale Price:	\$30,000,000
Price per Unit:	\$340,909
Sale Date:	September, 2019



THE GOSS
Boulder, CO 80302
Class B

Number of Units:	23
Sale Price:	\$6,775,000
Price per Unit:	\$294,565
Sale Date:	December, 2019



NOCO FLATS
Denver, CO 80204
Class C

Number of Units:	24
Sale Price:	\$4,250,000
Price per Unit:	\$177,083
Sale Date:	December, 2019

GREYSTONE

To learn more about Greystone Real Estate Advisors and our capabilities please visit www.greystonerealestateadvisors.com

MARC LIPPITT

Executive Managing Director
303.321.5888
mlippitt@uniqueprop.com

KEVIN HIGGINS

Managing Director
303.512.2730
khiggins@uniqueprop.com

PHIL DANKNER

Director
303.645.4796
pdankner@uniqueprop.com

EARL DUFFY

Director Associate
303.512.2732
eduffy@uniqueprop.com

JUSTIN HERMAN

Senior Broker Associate
720.881.6343
jherman@uniqueprop.com

GREYSTONE UNIQUE APARTMENT GROUP

400 South Broadway
Denver, CO 80209
www.uniqueprop.com/greystoneuag

Sources: Greystone; Reis; RealCapitalAnalytics; CoStar; U.S. Census; Bureau of Labor; Sperling's; Censusreporter.org; Denver Metro Association of Realtors; Metro Denver Economic Development Corporation; CBRE Office Report; The True Life Companies; BusinessDen; The Garrett Companies.

Copyright ©2020 Greystone & Co. II LLC. All Rights Reserved. References to the term "Greystone," refer to Greystone & Co. II LLC and/or its affiliated companies, as applicable. Although the information contained herein has been obtained from sources deemed reliable, Greystone Real Estate Advisors, Inc. makes no express or implied guaranty, warranty, or representation that the information is complete or accurate. Further, any projections, opinions, assumptions, or estimates used or offered herein are for the purpose of example only. Accordingly, Greystone Real Estate Advisors, Inc. recommends that you conduct your own careful, independent investigation into all aspects of this research report in order to gain a full understanding of the program / topic and reach your own conclusions or opinions as to its value and any related issues. The information contained in this research report should be independently examined by experts selected by you. Any recipient of these materials from Greystone Real Estate Advisors, Inc. should not and may not rely on these materials for any purpose beyond general introductory information.