

GREYSTONE

SPRING ISSUE

2021

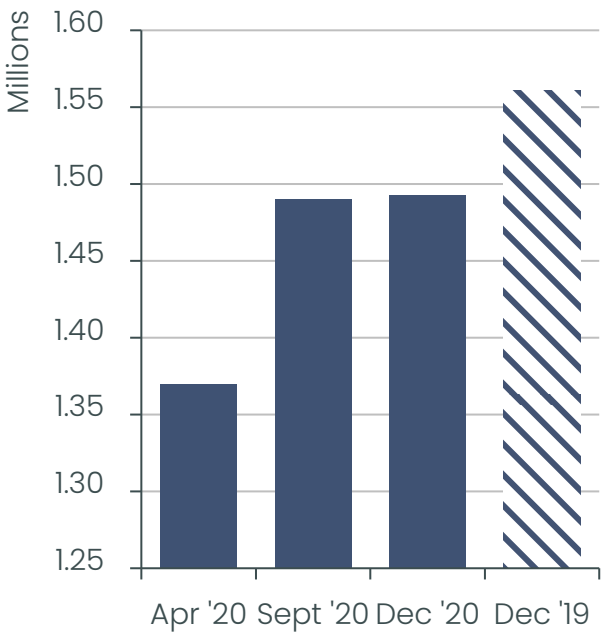
MARKET INSIGHT REPORT

Denver
Colorado MSA

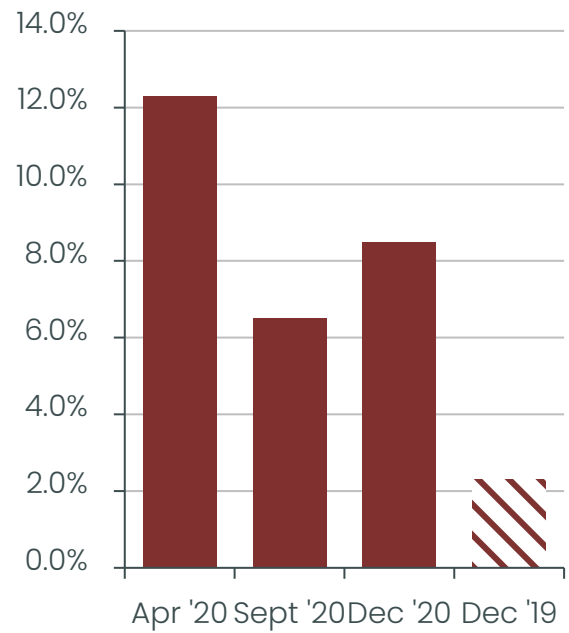
Employment / Unemployment

The Denver metro economy realized a loss of 68,000 jobs from year-end 2019 to year-end 2020. This substantial decline equated to a 4.4% loss of employment, ratcheting up the metro area’s unemployment rate to 8.5% in December 2020 as compared to 2.3% one year prior. This persistently high rate (Denver had a lower rate in September 2020 at 6.5%), placed the Denver metro in the bottom ranking of all major U.S. metros – at number 47 of 51, with only Riverside-San Bernardino, Los Angeles-Long-Beach-Anaheim, Detroit, and Las Vegas with higher unemployment rates. The better news is that many of Denver’s job sectors realized employment gains in 2020, netting positive job growth. The worst fairing, like all metro areas, was the leisure and hospitality sector, which shed 55,000 jobs YoY, or nearly 80% of all jobs lost in the Denver area. This will bode well for Denver in 2021 as the COVID-19 vaccine roll out intensifies and hits its peak around third quarter. Consequently, Denver is poised to outperform most metros in terms of job and rent growth. The current Moody’s Analytics forecast for Denver shows a total job increase of 2.6% in 2021 and an increase of 3.3% in 2022. Total jobs are expected to recover to their 2019 high in 2022. Following positive absorption in 2020, Denver’s apartment market is expected to see net absorption of 2,937 in 2021 and increase to 5,590 in 2022. Effective apartment rent is expected to decline 1.6% in 2021 and then increase 2.2% in 2022. Denver’s average effective rent is expected to surpass the peak 2019 rent in 2023.

TOTAL EMPLOYMENT



UNEMPLOYMENT



METRO AREA EMPLOYMENT (THOUSANDS)	DECEMBER 2020	PERCENT CHANGE FROM DECEMBER 2019
Total Nonfarm	1,492.90	-4.4%
Mining, Logging, and Construction	106.5	-6.1%
Manufacturing	75.9	5.6%
Trade, Transportation, and Utilities	293.2	0.0%
Information	51.3	0.8%
Financial Activities	111	-1.3%
Professional and Business Services	292.8	3.1%
Education and Health Services	192.4	-2.0%
Leisure and Hospitality	117.6	-31.9%
Other Services	52.5	-9.0%
Government	199.7	-4.3%


Sources: U.S. BLS, Current Employment Statistics



Rental Market

- First decline in rental rates of the past 11 years
- A decline in average rent of 1.1% is forecast for 2021 before annual gains of 2.2% - 2.8% take hold from 2022 and beyond
- Vacancy rate will peak at 7.3% in 2021, then recede to 6.7% in 2022, 6.3% in 2023, and 5.8% in 2024



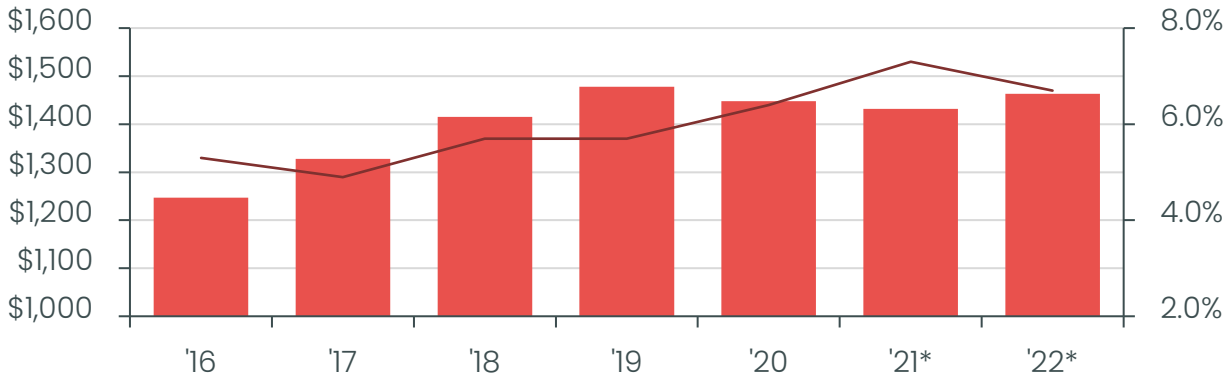
 -2.0%

Average Rent Decrease
From \$1,478 to \$1,448
YoY

YEAR BUILT	ASKING RENT	VACANCY RATE
Before 1970	\$1,274	3.8%
1970-1979	\$1,234	4.0%
1980-1989	\$1,390	3.8%
1990-1999	\$1,669	5.0%
2000-2009	\$1,673	5.1%
2010-2019	\$1,950	9.6%
After 2019*	\$2,487	28.9%

*Includes Properties in Lease-Up

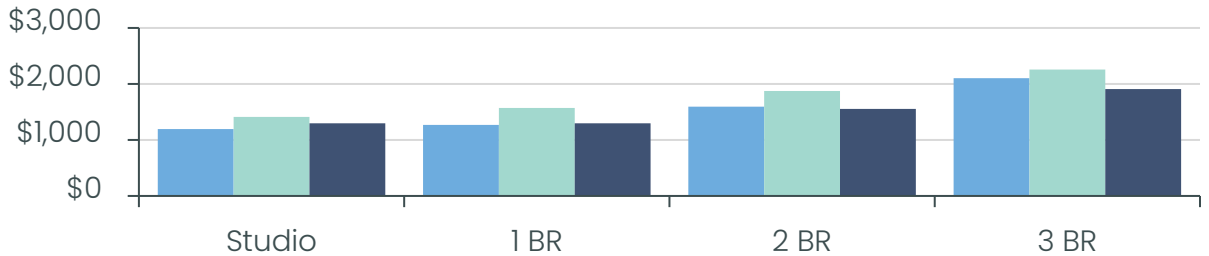
AVERAGE RENT / VACANCY



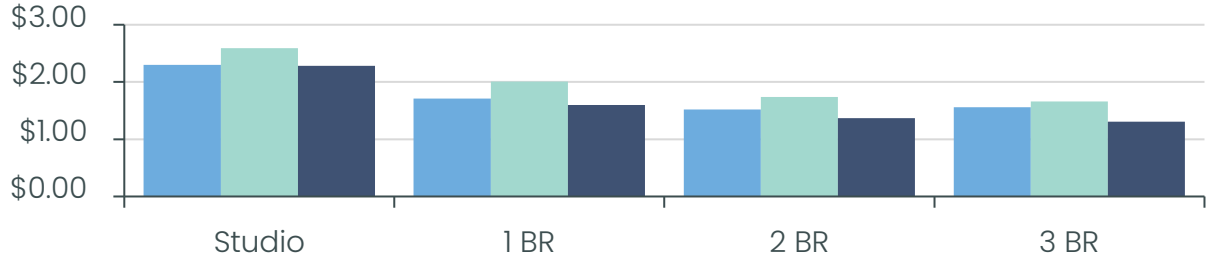
■ Average Rent ■ Average Vacancy

Source: Reis, *Projected

ASKING RENT COMPARISON



ASKING RENT PSF

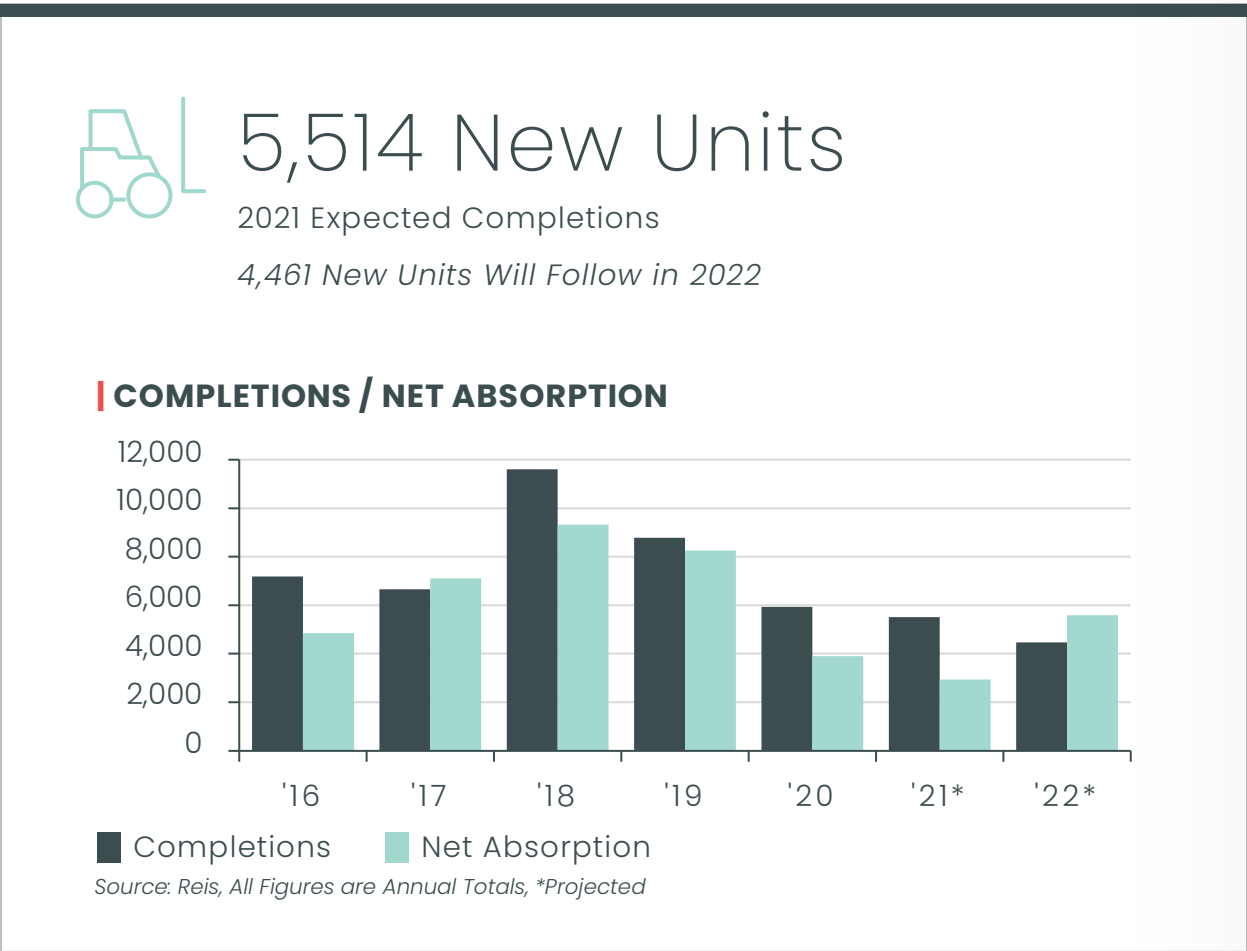


■ Denver MSA ■ Western Region ■ U.S.

Source: Reis, 4Q 2020

Multifamily Construction

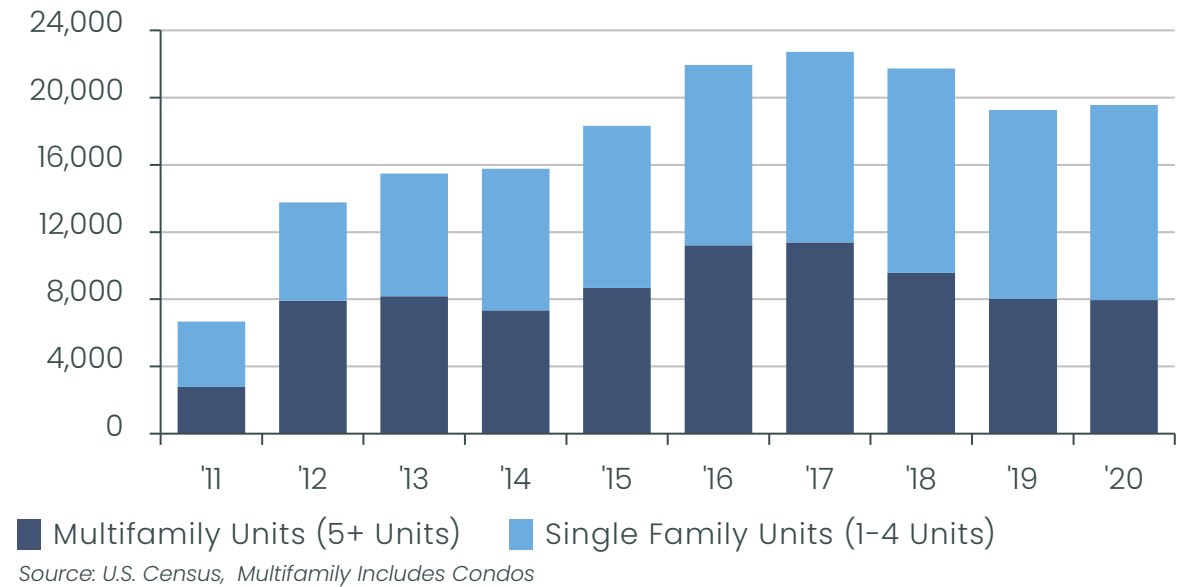
The Denver market has a cumulative apartment inventory growth forecast of 2.4% for 2021, equivalent to that of the U.S. average of 2.4%. This rate will mark the lowest-level of new completions in seven years, and the percentage of new inventory added to Denver’s apartment market is expected to fall further in the years ahead, down to 0.9% by 2023, or just 2,097 new units. This will represent a 62% decline from 5,514 units delivered in 2021.



Permits

- Active single family for-sale inventory was down 63.3% in December 2020 YoY.
- Sellers received 99.8% of list price in 2020, up 0.7% YoY, while days on market shortened to 30 from 34.
- New single family inventory looks to remain constrained in 2021 based on a slight 3.2% increase in permit count in 2020 vs 2019.

TOTAL RESIDENTIAL BUILDING PERMITS



11,607
Single Family
Permits
+3.2% YoY

7,959
Multifamily Permits
(5+ Units)
-0.9% YoY

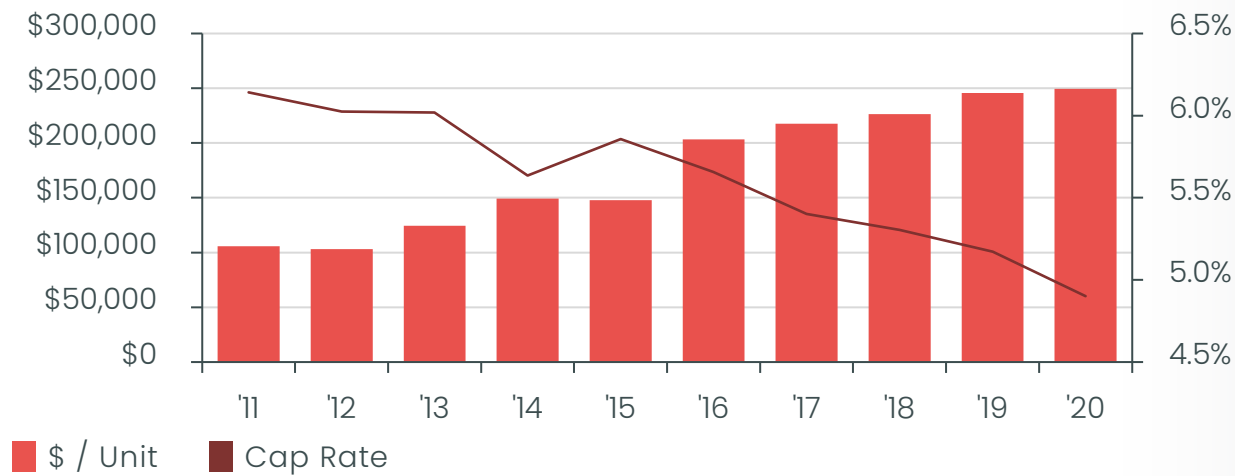


\$444K
Median Single
Family Price
+12.3% YoY



Multifamily Sales

AVERAGE SALES PPU / CAP RATE



Source: Real Capital Analytics, Based on Sales of \$2.5 Million and Greater

\$249,556

Avg. Sold Price / Unit
+1.6% YoY

4.9%

Avg. Cap Rate
-27 bps YoY

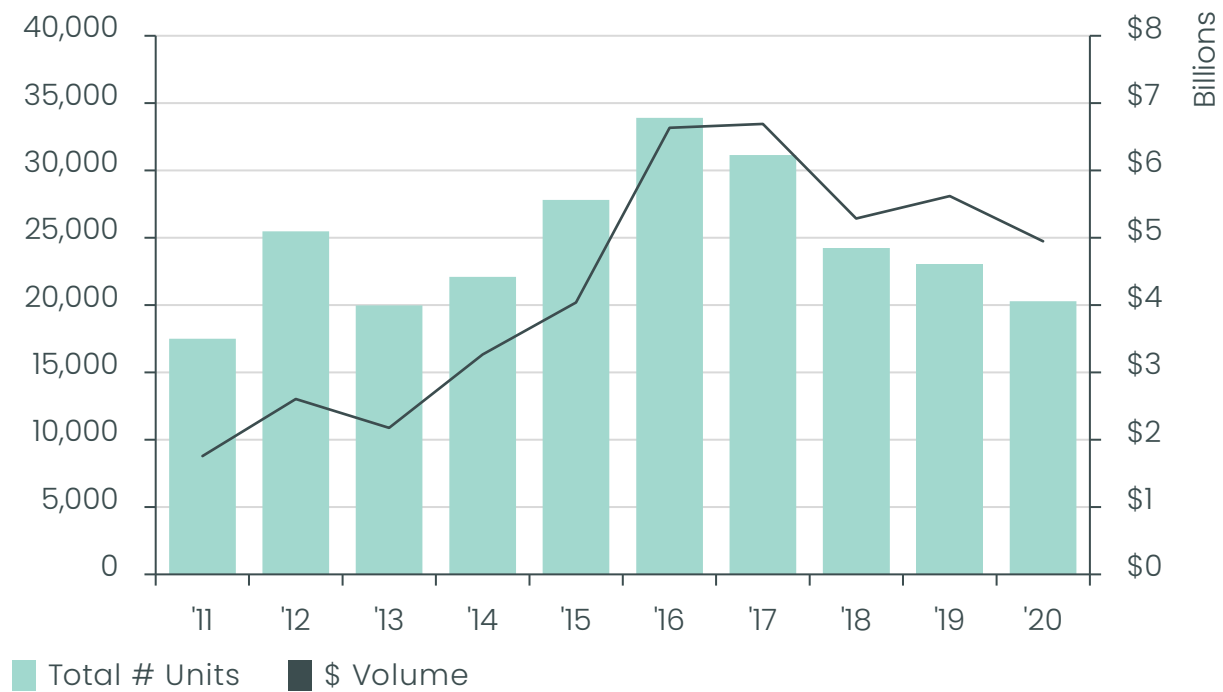
\$4.9B

Sales Volume
-12.0% YoY

20,281

Total # Units Sold
-12.1% YoY

APARTMENT SALES TRANSACTIONS



Source: Real Capital Analytics, Based on Sales of \$2.5 Million and Greater

Sources: Greystone; Reis; RealCapitalAnalytics; CoStar; U.S. Census; Bureau of Labor; Sperling's; Censusreporter.org; Denver Metro Association of Realtors; Metro Denver EDC

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