

YARDI® Matrix

Denver's Growth Conundrum

Multifamily Spring Report 2016

**Rent Growth
Decelerates**

**Heavy Supply
Favors High End**

**Property Trades Reach
All-Time High**

DENVER MULTIFAMILY

YARDI® Matrix

Market Analysis

Spring 2016

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How Much Can the Mile-High City Grow?

An influx of Millennials and strong job growth have propelled apartment rent increases in Denver to among the highest in the nation—but that growth may be hitting a wall as a result of the heavy development pipeline. Employment is fueled by industries such as technology, healthcare, business and hospitality, while the booming medical marijuana sector has helped to attract young adults.

Trade and transportation are also strong economic drivers for the metro. The Denver Regional Transportation District recently completed the state's first commuter rail line: the University of Colorado A Line connecting the downtown area to Denver International Airport. The 23-mile route is part of the Eagle P3 Commuter Rail project, which entails the development of 122 miles of commuter and light-rail, 18 miles of bus rapid transit service and 21,000 new parking spaces.

With large employers such as Google, Ibotta and Liberty Global expanding their presence and adding jobs, the demand for multifamily units remains elevated. However, the heavy new supply, mostly concentrated at the higher end of the spectrum, is outstripping demand and dragging the market down far below last year's 13% growth rate. This increase in supply is unlikely to persist for several years, as more than 21,000 units are currently under construction and another 25,000 in the planning stages. The rate of rent increases is consequently expected to drop to a more sustainable level, and we forecast 6.3% rent growth for 2016.

Recent Denver Transactions

Uptown Square



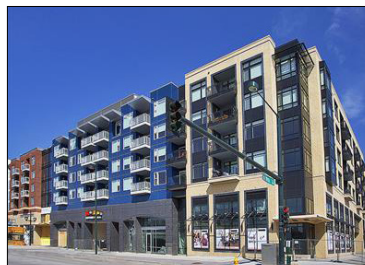
City: Denver
Buyer: Starwood Capital Group
Purchase Price: \$210 MM
Price per Unit: \$302,158

The Savoy at Dayton Station



City: Aurora, Colo.
Buyer: Starwood Capital Group
Purchase Price: \$162 MM
Price per Unit: \$263,964

Elan Union Station



City: Denver
Buyer: American Realty Advisors
Purchase Price: \$154 MM
Price per Unit: \$491,401

The Marks



City: Englewood, Colo.
Buyer: Starwood Capital Group
Purchase Price: \$135 MM
Price per Unit: \$219,559