

The purpose of this newsletter is to provide insight on the direction of the apartment market in Central Denver, and to highlight the transactions that occurred between December 15, 2014 and March 15, 2015.

For more detailed information, or to discuss your investment opportunities, please contact us.

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About Us

Proudly based in Denver, CO, we are a commercial real estate group that specializes in apartment brokerage and investment sales in Central Denver's hottest neighborhoods.

Principals, Kyle Malnati and Greg Johnson, provide insight and experience to meet the needs of the private apartment investor. Combined, they have successfully brokered over \$240,000,000 of Colorado real estate for their clients.



Kyle Malnati

Greg Johnson

**CENTRAL DENVER APARTMENT MARKET REPORT
2015 - 1ST QUARTER**

CURRENT STATE OF THE MARKET

2015 is off to a tremendous start for the Denver market. The Apartment Association of Metro Denver reports that vacancy rates are 1/2 a percentage point lower than a year ago (4.7% vs 5.2%), and average rents have increased 12% from a year ago to \$1,168.

The largest property management company in Central Denver reported to its clients that they began February with a vacancy rate below 1.0%. It is certainly a good time to own multi-family investments in Denver!

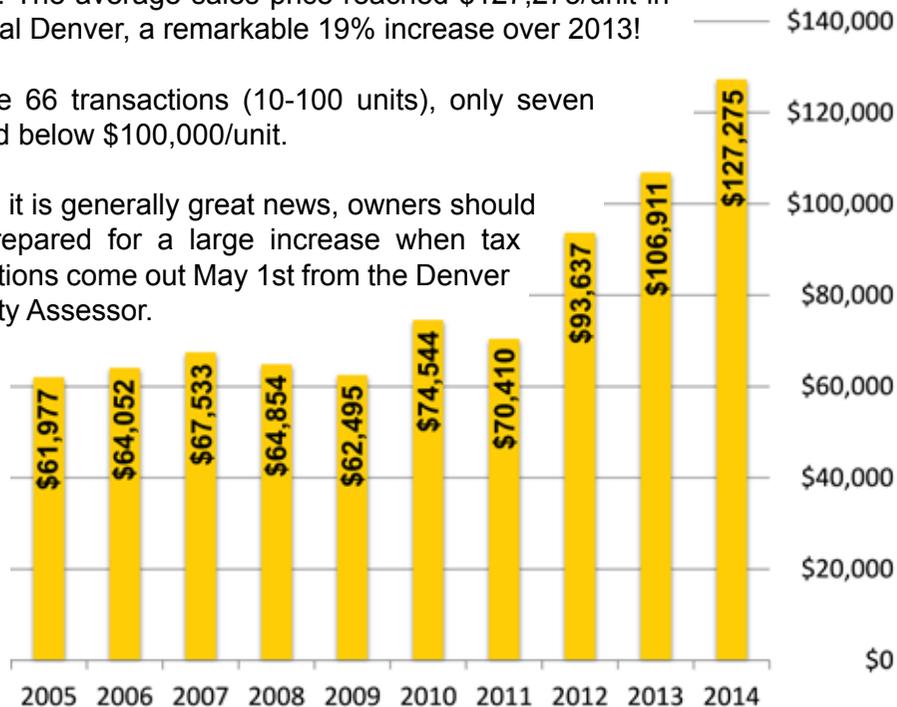
As values continue to soar, we've helped owners successfully increase their portfolios or sell their investments for record prices. Denver was ranked #6 in the country for 2014 job growth in Arizona State University's annual study, and most experts agree that 2015 will be another healthy year for our economy.

AVG SALE PRICE INCREASED 19% SINCE 2013

2014 was a fantastic year for Central Denver apartment investors. Rents surged to record levels, operating expenses remained in check, and property values soared to all-time highs. The average sales price reached \$127,275/unit in Central Denver, a remarkable 19% increase over 2013!

Of the 66 transactions (10-100 units), only seven traded below \$100,000/unit.

While it is generally great news, owners should be prepared for a large increase when tax valuations come out May 1st from the Denver County Assessor.



Excludes new construction

Source: CoStar Comps

CAPITOL HILL—3 SALES (12/16/14 - 3/15/15): AVERAGES \$350.14/SF, \$198,889/UNIT



833 Emerson St.
\$2,900,000
20 Units
\$247.52/SF
\$145,000/Unit
Sold: 1/13/2015



1115 Logan St.
\$3,500,000
28 Units
\$285.71/SF
\$125,000/Unit
Sold: 1/30/2015



777 Emerson St.
\$11,500,000
42 Units
\$423.48/SF
\$273,810/Unit
Sold: 2/27/2015

CITY PARK/UPTOWN—3 SALES (12/16/14 - 3/15/15): AVERAGES \$254.72/SF, \$117,955/UNIT



1630 Pennsylvania St.
\$2,000,000
20 Units
\$191.66/SF
\$100,000/Unit
Sold: 12/17/2014



1733 & 1777 Williams St.
\$7,400,000
60 Units
\$286.01/SF
\$123,333/Unit
Sold: 12/31/2014



3030 Williams St.
\$980,000
8 Units
\$220.62/SF
\$122,500/Unit
Sold: 1/8/2015

PARK HILL/MAYFAIR—3 SALES (12/16/14 - 3/15/15): AVERAGES \$152.86/SF, \$114,118/UNIT



1470 Ivy St.
\$2,250,000
17 Units
\$160.11/SF
\$132,353/Unit
Sold: 12/19/2014



1188 Bellaire St.
\$1,900,000
17 Units
\$195.11/SF
\$111,765/Unit
Sold: 1/6/2015



1460 Jasmine St.
\$1,670,000
17 Units
\$116.93/SF
\$98,235/Unit
Sold: 2/4/2015

WASH PARK—3 SALES (12/16/14 - 3/15/15): AVERAGES \$236.43/SF, \$172,414/UNIT



23-33 Pearl St.
\$5,450,000
34 Units
\$217.38/SF
\$160,294/Unit
Sold: 1/7/2015



8 S. Logan St.
\$2,150,000
14 Units
\$298.74/SF
\$153,571/Unit
Sold: 1/12/2015



6 Lincoln St.
\$7,400,000
39 Units
\$237.37/SF
\$189,744/Unit
Sold: 2/6/2015

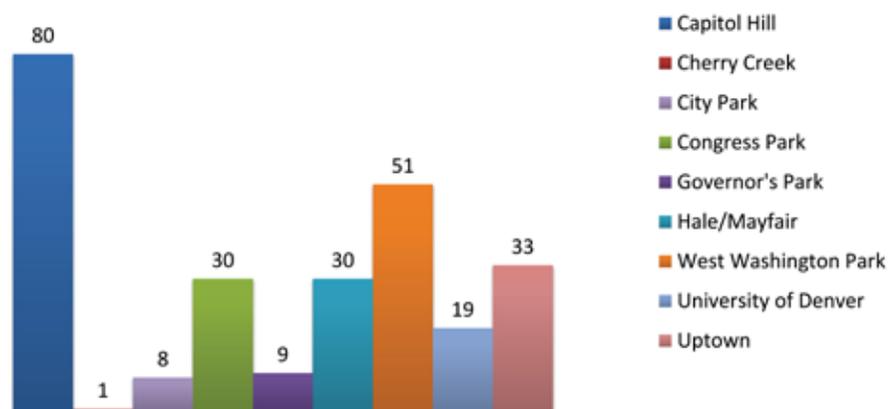
WHERE DEALS HAPPEN

Investors new to the Denver market often ask us if there are any properties available in Cherry Creek - it's the neighborhood most familiar to people from out-of-state. Unfortunately, there are very few multifamily buildings in Cherry Creek, and they rarely trade.

To the right is a chart of where transactions have occurred in the past six years. Not surprising to Denver investors, Capitol Hill and West Washington Park lead our market in sales volume.

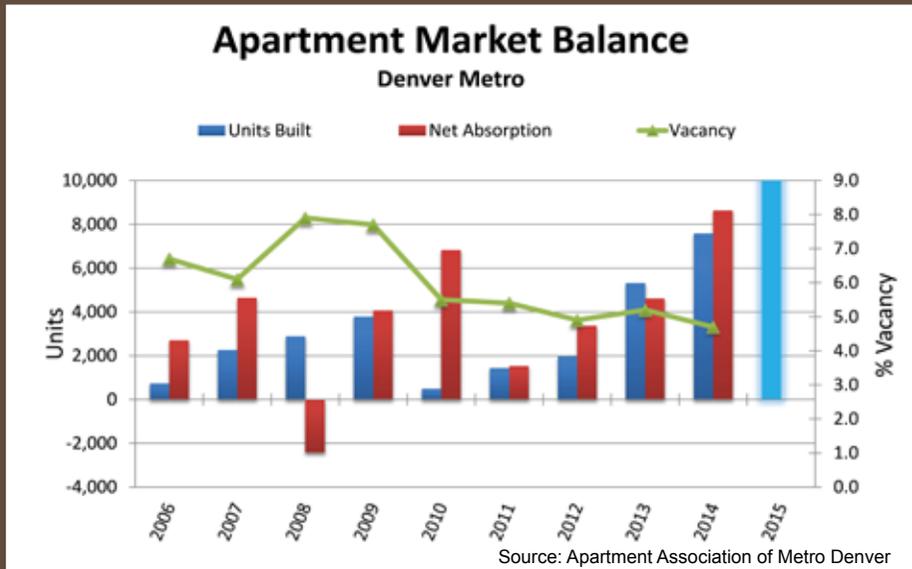
Central Denver Apartment Transactions

2009 - 2014



CONSTRUCTION BOOM HAS YET TO EXCEED DEMAND

Two years ago we spotlighted the return of apartment construction. After a decade of minimal building, we saw 11,000 units in the pipeline. Fast-forward to today, and we've seen all of those and more (nearly 13,000 units) delivered over the past two years. Remarkably, we've had a demand absorption of 13,200 units, so the vacancy rate has actually fallen since the beginning of 2013.



At the beginning of 2015, James Real Estate Services reported there are over 20,000 units currently under construction in the metro area. 180,000 more are "proposed". Most experts are forecasting 10,000 units completed in 2015, with a chance for more if construction delays experienced in 2014 (due to labor and material shortages) are solved this year.

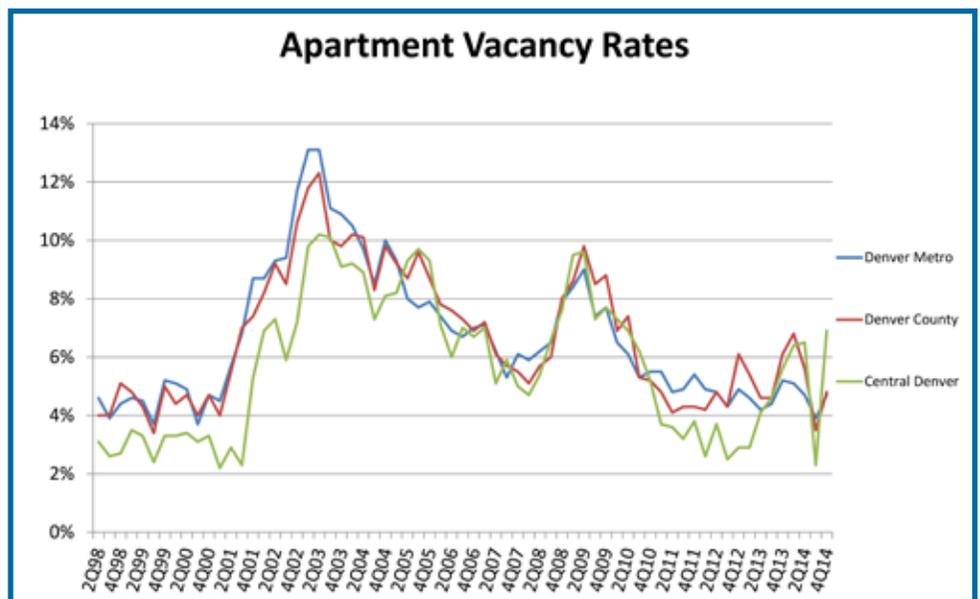
In 2014, the Denver metro absorbed over 8,000 units. We'll need to exceed that amount for the next three years to avoid a noticeable increase in vacancy rates between now and 2017.



IS IT TIME TO RE-THINK???

Many apartment owners have expressed a belief that their older apartment buildings won't be affected by all of the new construction going on in Denver. Particularly, they've told us that they are not concerned if developers have trouble filling up the new buildings because, "My apartments don't compete with the new stuff." But the data suggests otherwise...

We studied Denver's vacancy trends for the past 17 years. As the chart below demonstrates, when vacancy rates move, they move together across the metro area. Lakewood affects Aurora, large buildings affect smaller properties, and new construction will impact existing Central Denver buildings.



Certainly the magnitude may be different - newer buildings may see higher vacancy than older properties - but everybody will feel the effect if Denver overbuilds.

KYLE & GREG'S LISTINGS & 2015 SALES



1756 Clarkson St.
LISTED: \$18,300,000



1320 Garfield St.
LISTED: \$2,850,000



1536 Williams St.
UNDER CONTRACT



23-33 Pearl St.
SOLD: \$5,450,000



835 S. Quebec St.
SOLD: \$2,150,000



1115 Logan St.
SOLD: \$3,500,000



3030 Williams St.
SOLD: \$980,000



8 S. Logan St.
SOLD: \$2,150,000

THE KYLE MALNATI SHOW - REAL ESTATE RADIO!

The Kyle Malnati Show, broadcast monthly on YouTube, is a 10-15 minute informative session intended for both experienced multifamily apartment owners as well as novice, aspiring real estate investors.

 Check it out at: <https://www.youtube.com>, then search for "Kyle Malnati"



In the March edition, Kyle talks with Ralph Larson. Ralph and his wife Sharon own a 35-unit multifamily portfolio in Denver. Tune in to hear:

- Ralph share how he learned how to be great real estate investor out of a hard lesson in the stock market.
- Why you can draw HOPE to persevere after a failure; factors that can contribute to your success
- Ralph's tips for tenants from a landlord's perspective
- How to have a generous heart while running a business

January Episode - Jud's family owns 14 multifamily buildings in Central Denver totaling 575 apartments, and his family has been excelling in the Denver apartment market for OVER 50 years! The business was started by his grandfather, Alden Brown, and is continued by his father, Darrell. Jud is the 3rd generation in this family legacy, and Jud's personal goal is to improve upon what has already been an admired family heritage.

