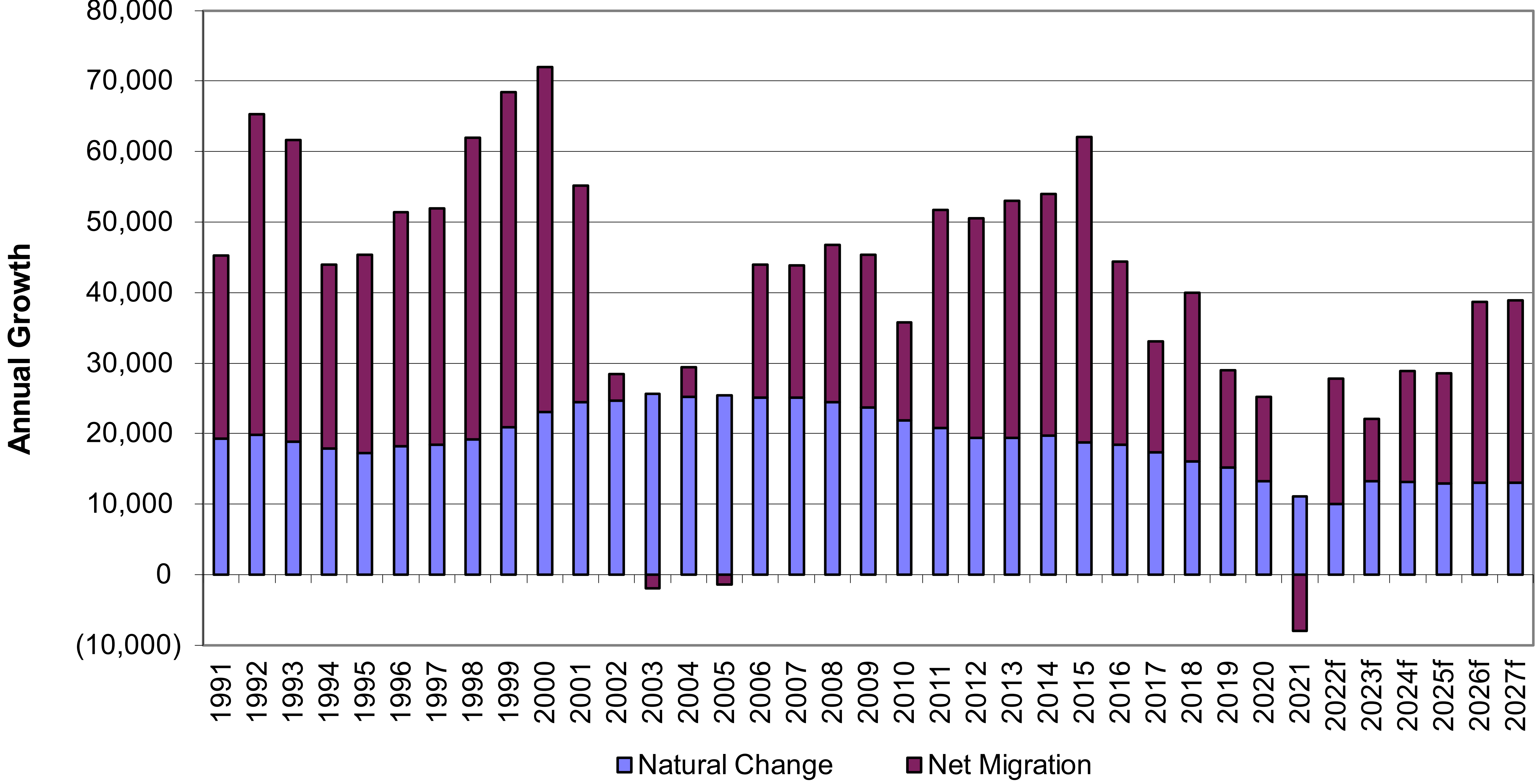
Apartment Appraisers & Consultants

Apartment Insights

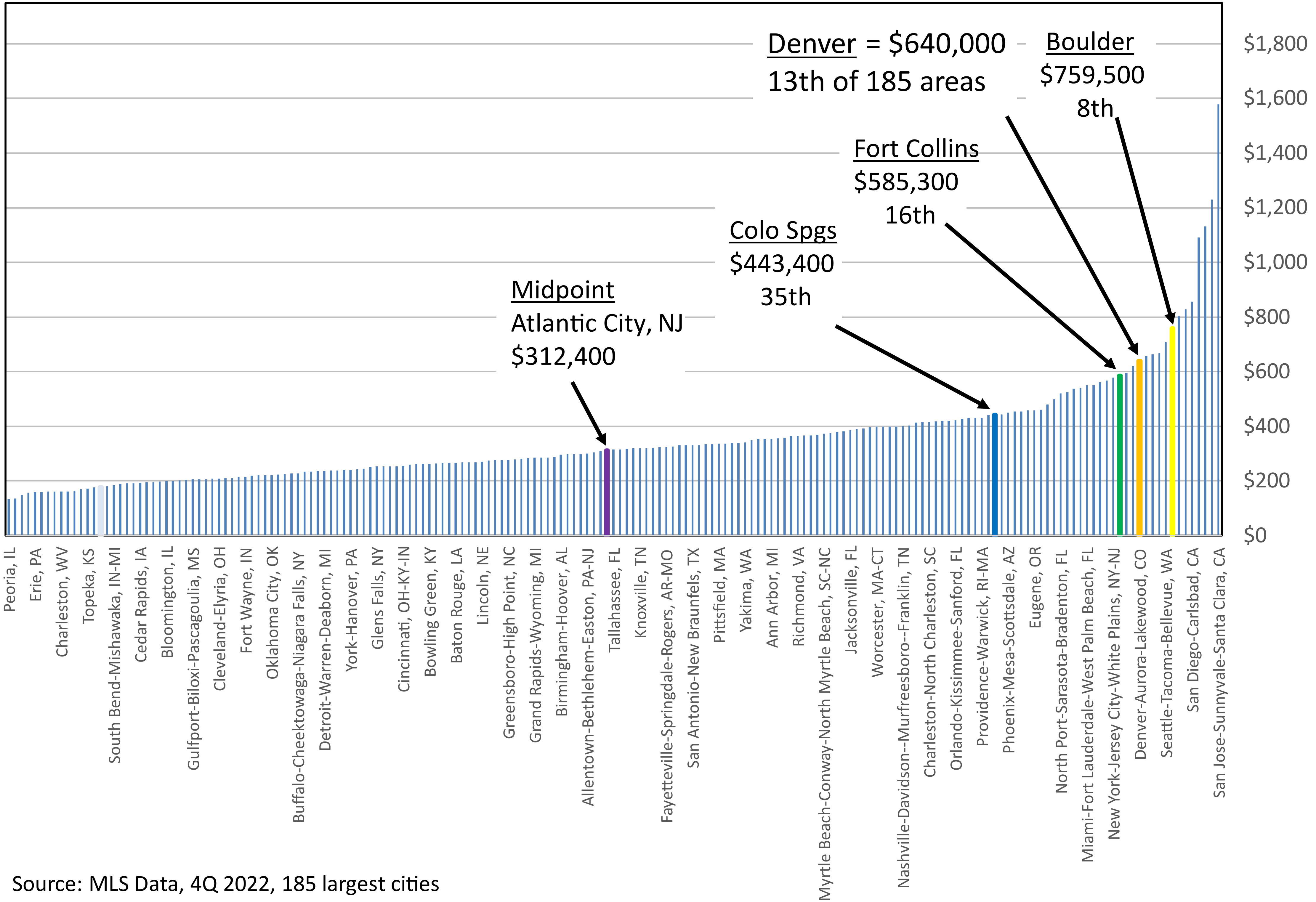
May 3, 2023

7-County Population Change



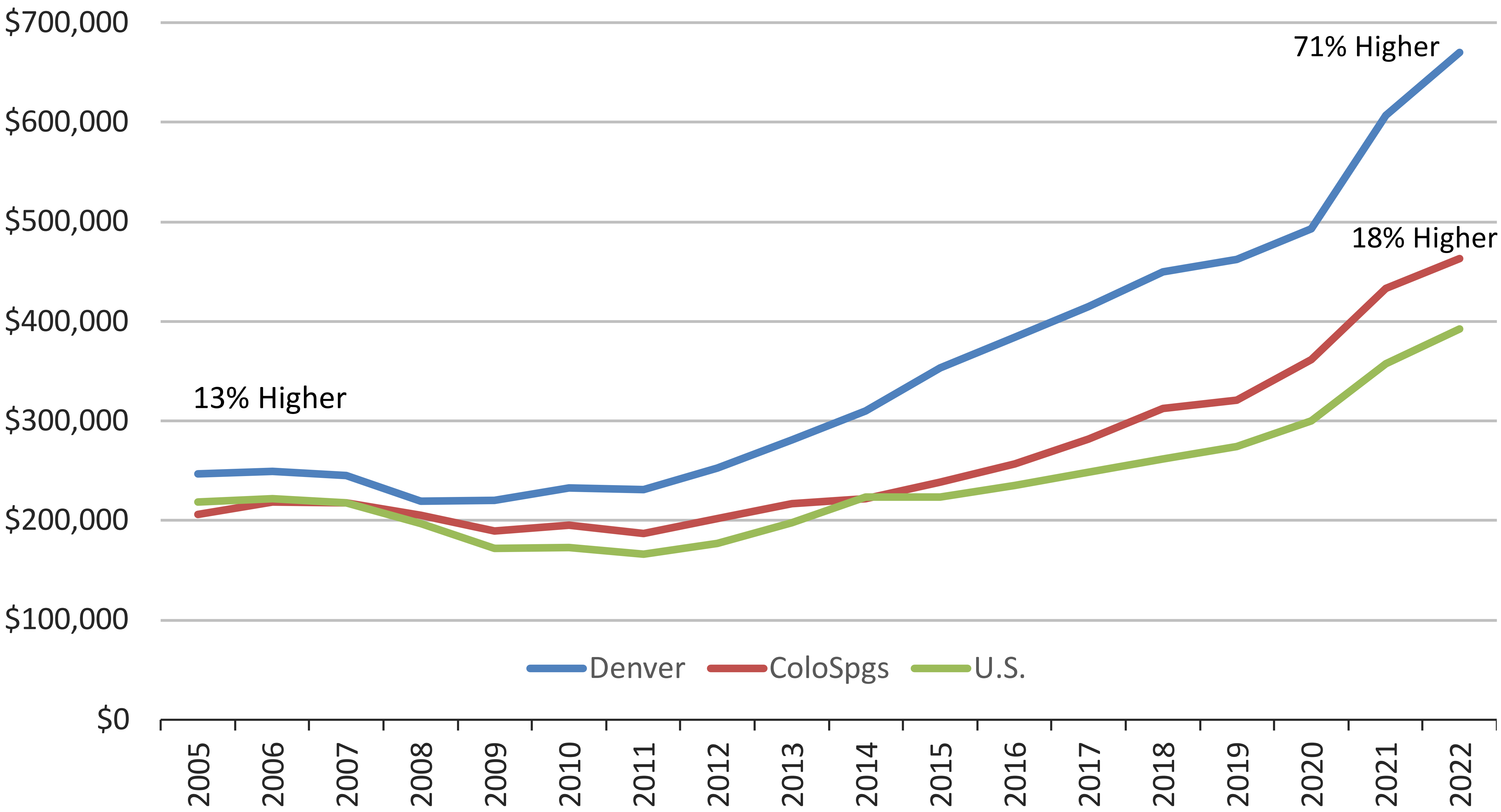
Source: State Demography Office, 11/2022.

Median Home Prices 4Q22 (000s)



Source: MLS Data, 4Q 2022, 185 largest cities

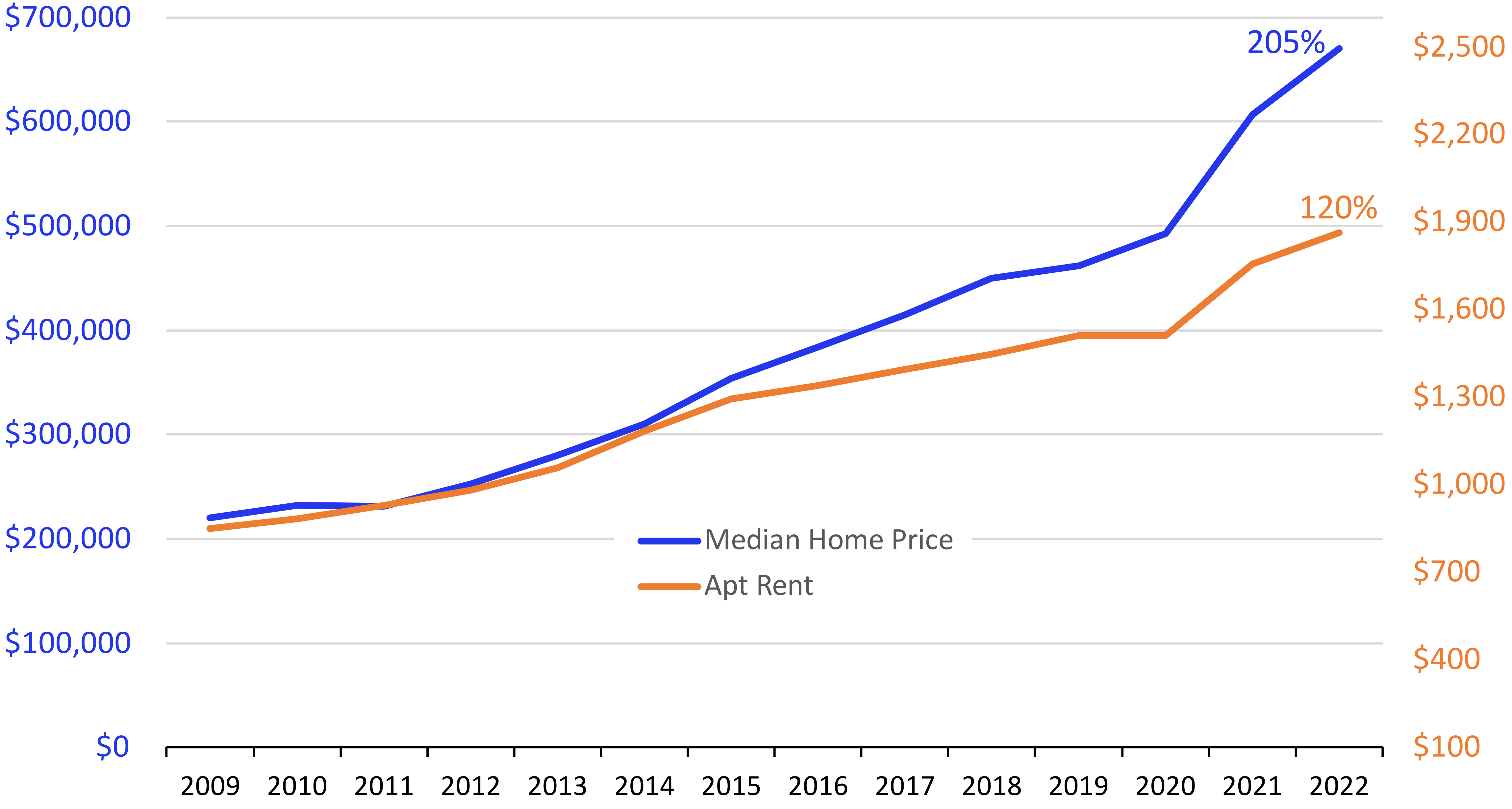
Median Single Family Home Prices, Annual



Source: MLS Data, 4Q 2022, 186 largest cities

Appreciation in Home Prices vs Apt Rents

Denver Metro Area

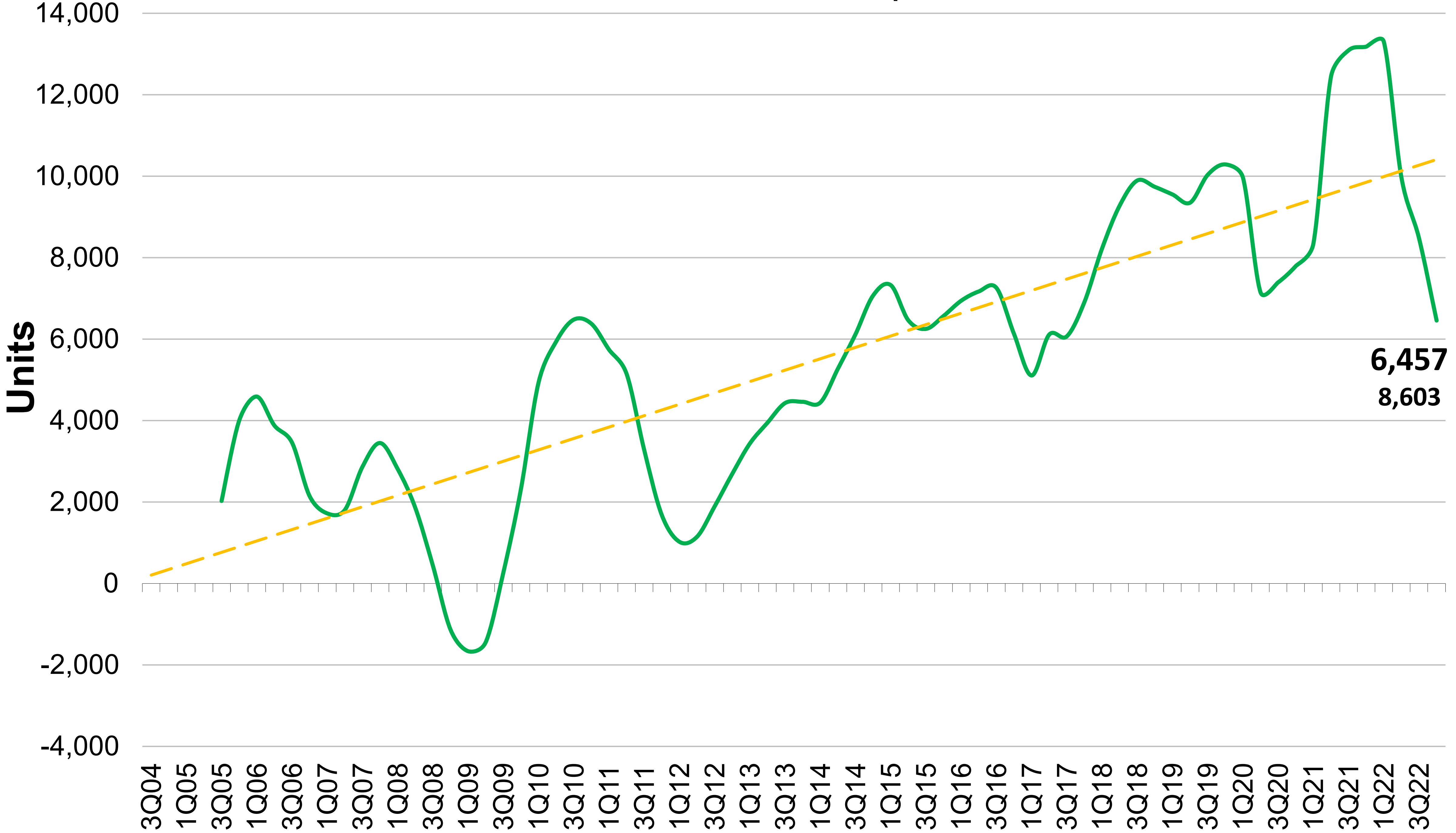


Source: Median home prices - National Association of Realtors
Apartment rents - Apartment Insights, 1/2023.

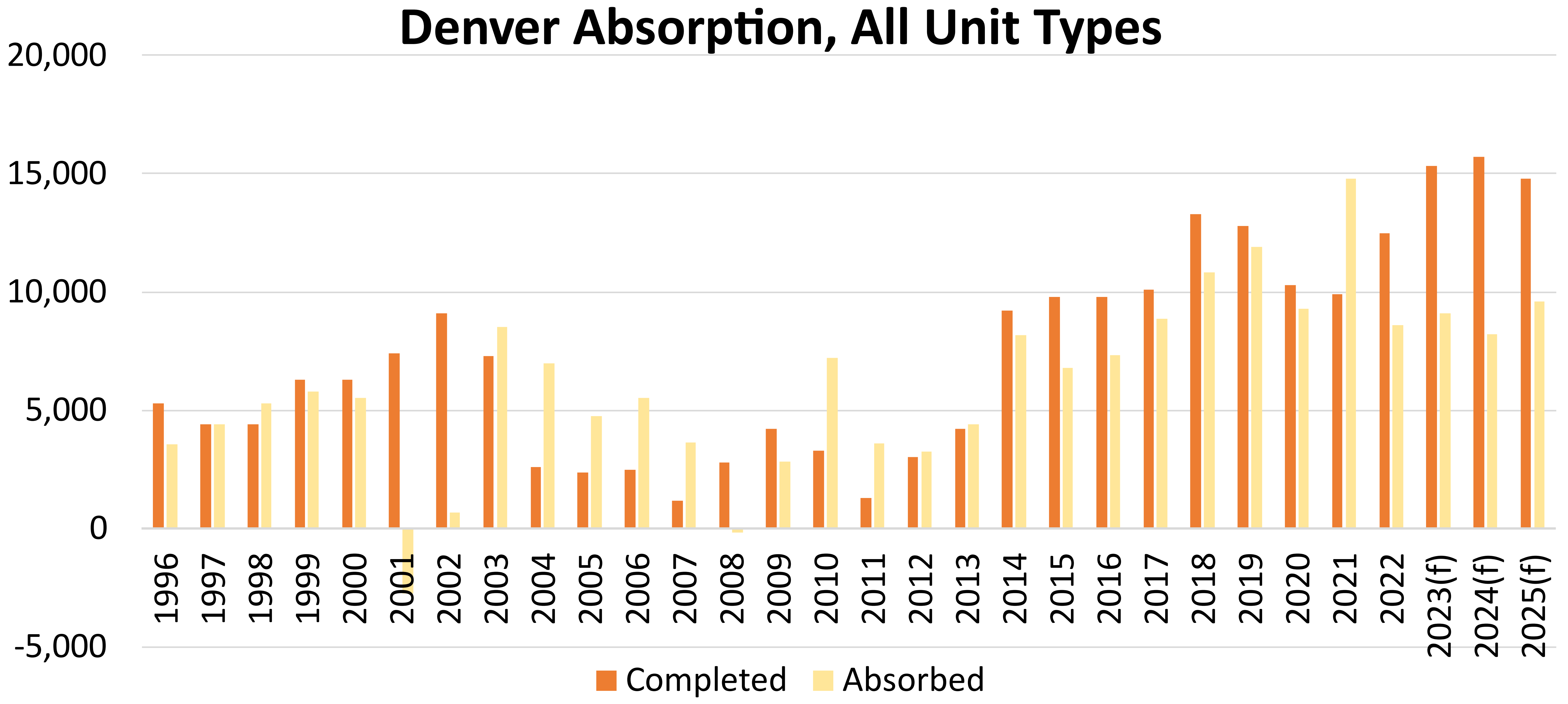
Rents and Vacancy

Four Quarter Absorption - Denver CMSA

Conventional Apts

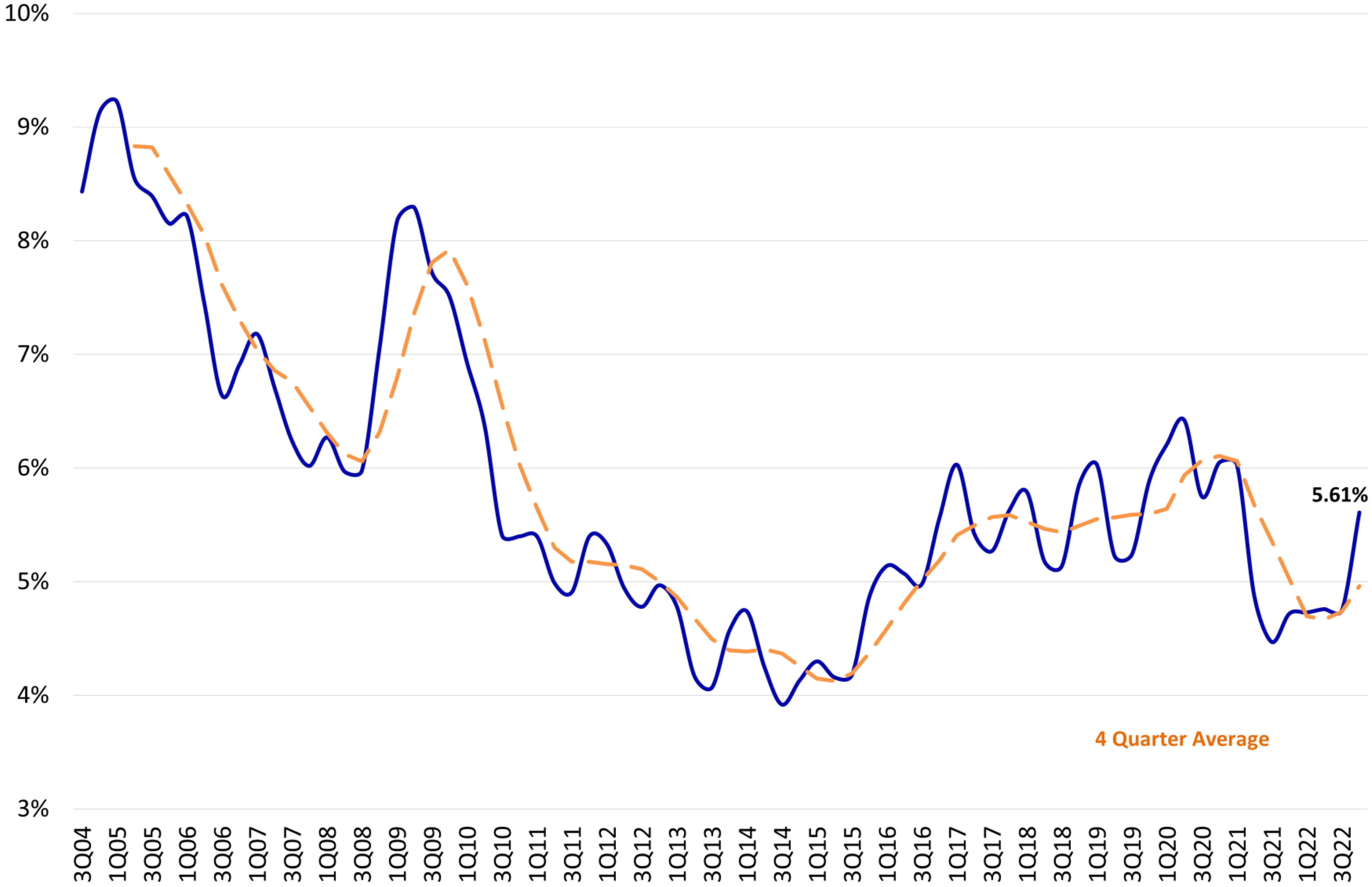


Data Source: Apartment Insights, Denver, CO

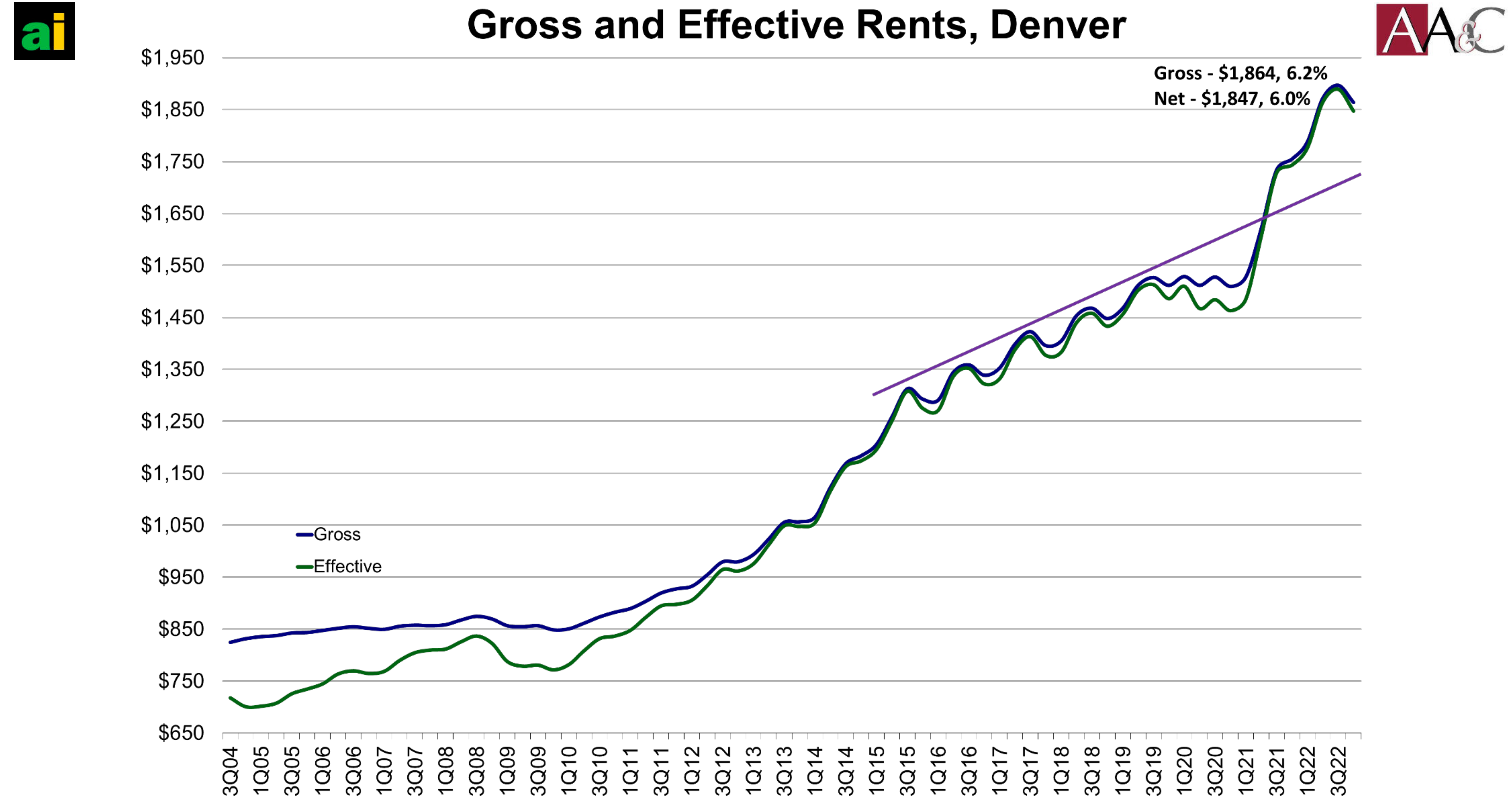


Denver Absorption, All Unit Types
20,000
15,000
10,000
5,000
0
-5,000
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023(f)
2024(f)
2025(f)
Completed
Absorbed

Average Vacancy Rate, Denver Metro Area



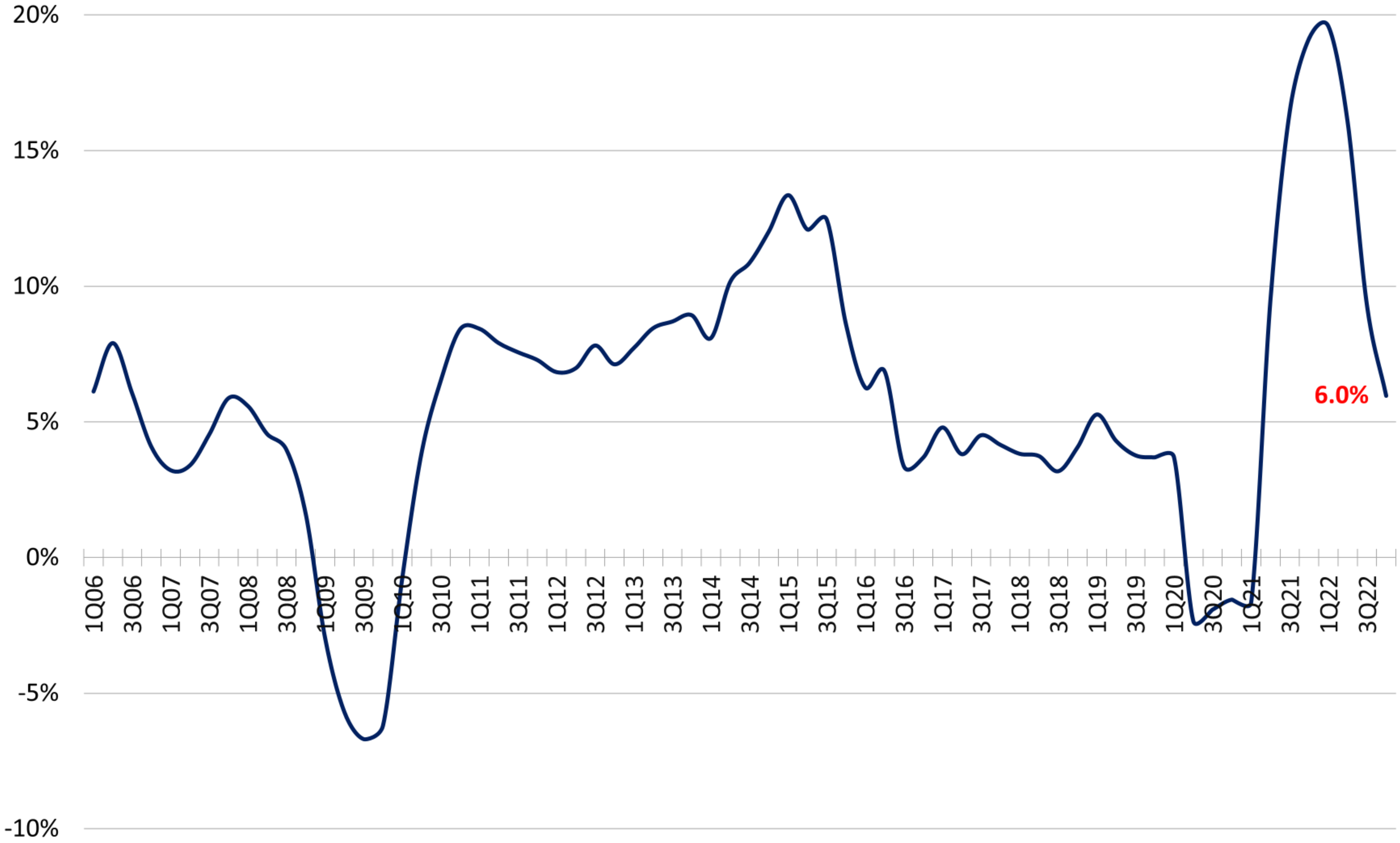
Data Source: Apartment Insights, Denver, CO



Data Source: Apartment Insights, Denver, CO

Effective Rental Growth Rate

Denver Metro Area

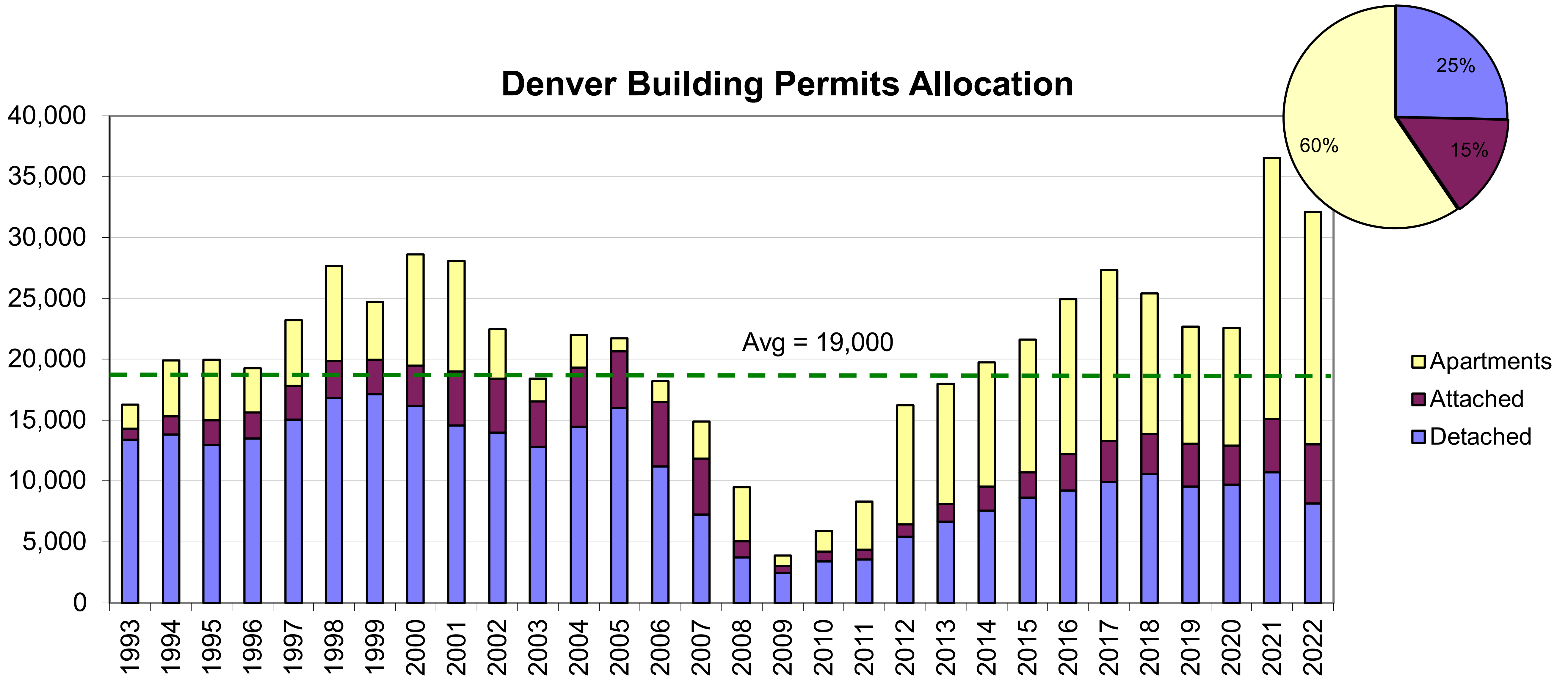


Data Source: Apartment Insights, Denver, CO

4Q 2022 Summary

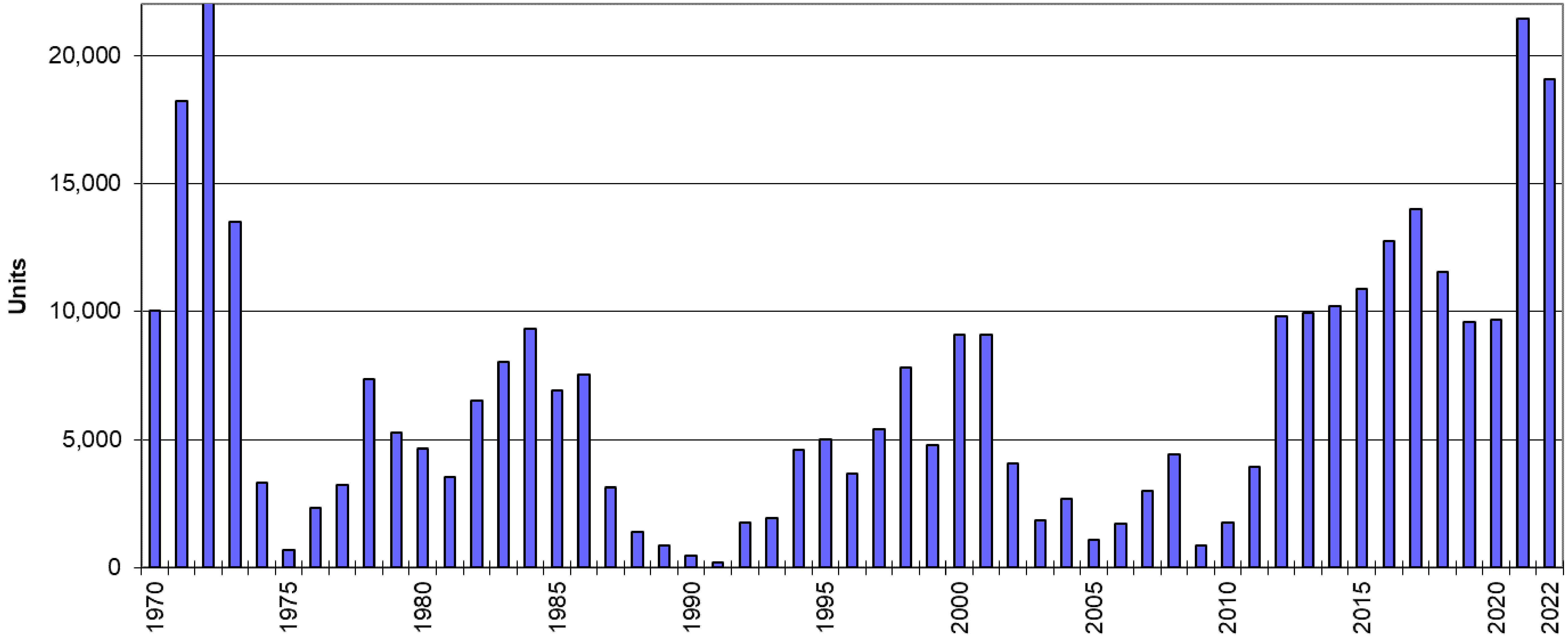
- Metrics pointed to a slowing rental market heading into winter, a common seasonal event. However, the market softened more than normal.
  - The average 4th-quarter increase in vacancy has been 35 basis points during the past 18 years. Vacancy this quarter increased by a much larger 86 basis points.
  - It is also common for rents to fall during the 4th quarter, with an average decrease over the past 18 years of $4. Gross rents decreased by a record high $33 this quarter.
  - Fourth quarter absorption was negative for the first time in many quarters.
- This indicates slowing in the rental market *beyond seasonal effects.*
- With overall vacancy moving higher (currently closer to 6% than 5%), rental growth been slowing rapidly over past few quarters. While momentum has kept rental growth near 6%, it will likely slow further over the next few quarters if absorption remains weak.

New Construction



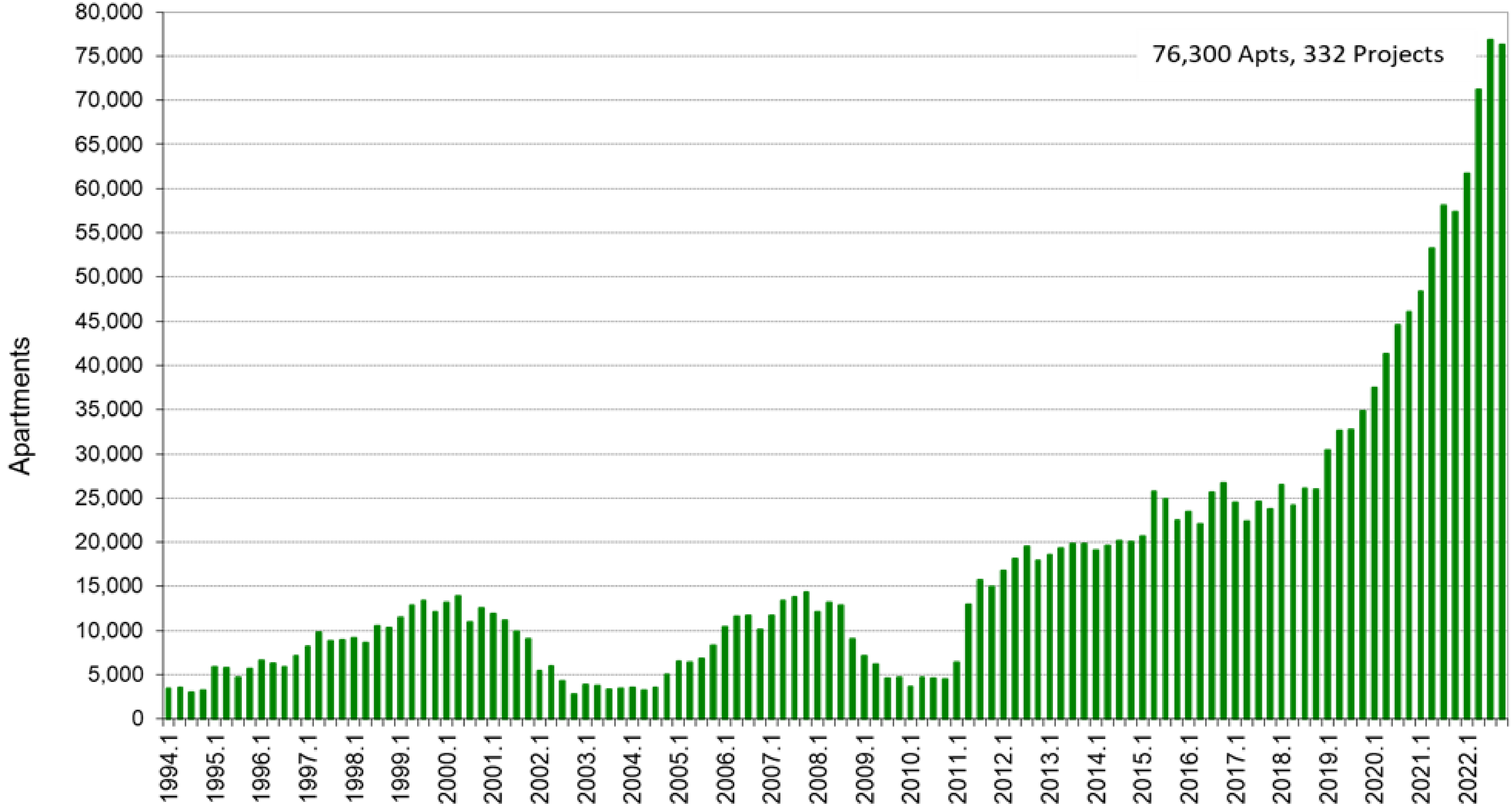
Source: Home Builders Association of Metro Denver and AA&C for apts, 1/2023.

Apartment Building Permits, 7-County Metro Denver

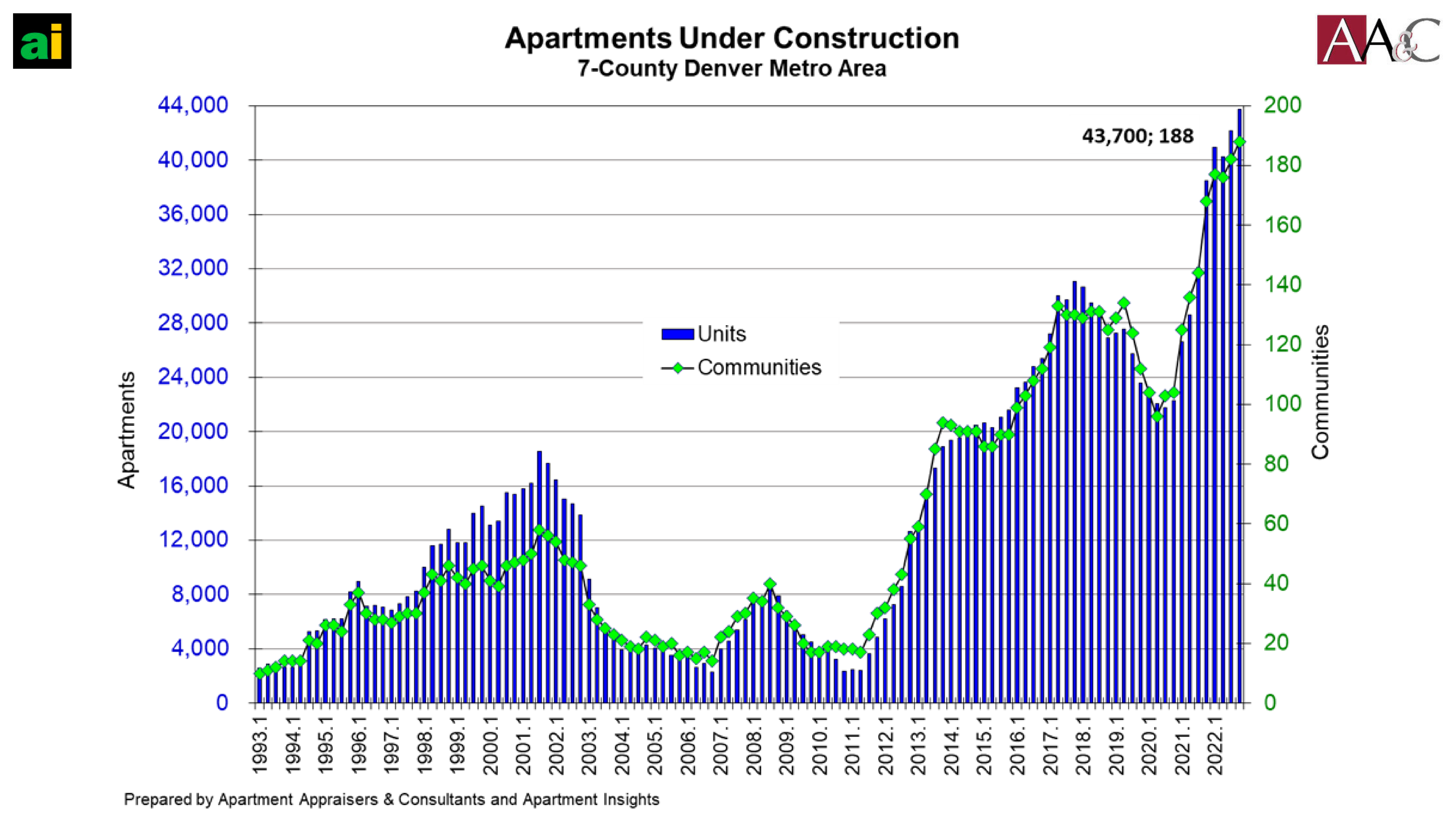


Permit data from Apt Insights Since 2009 and the HBA in prior years

Apartments - Proposed
7-County Denver Metro Area

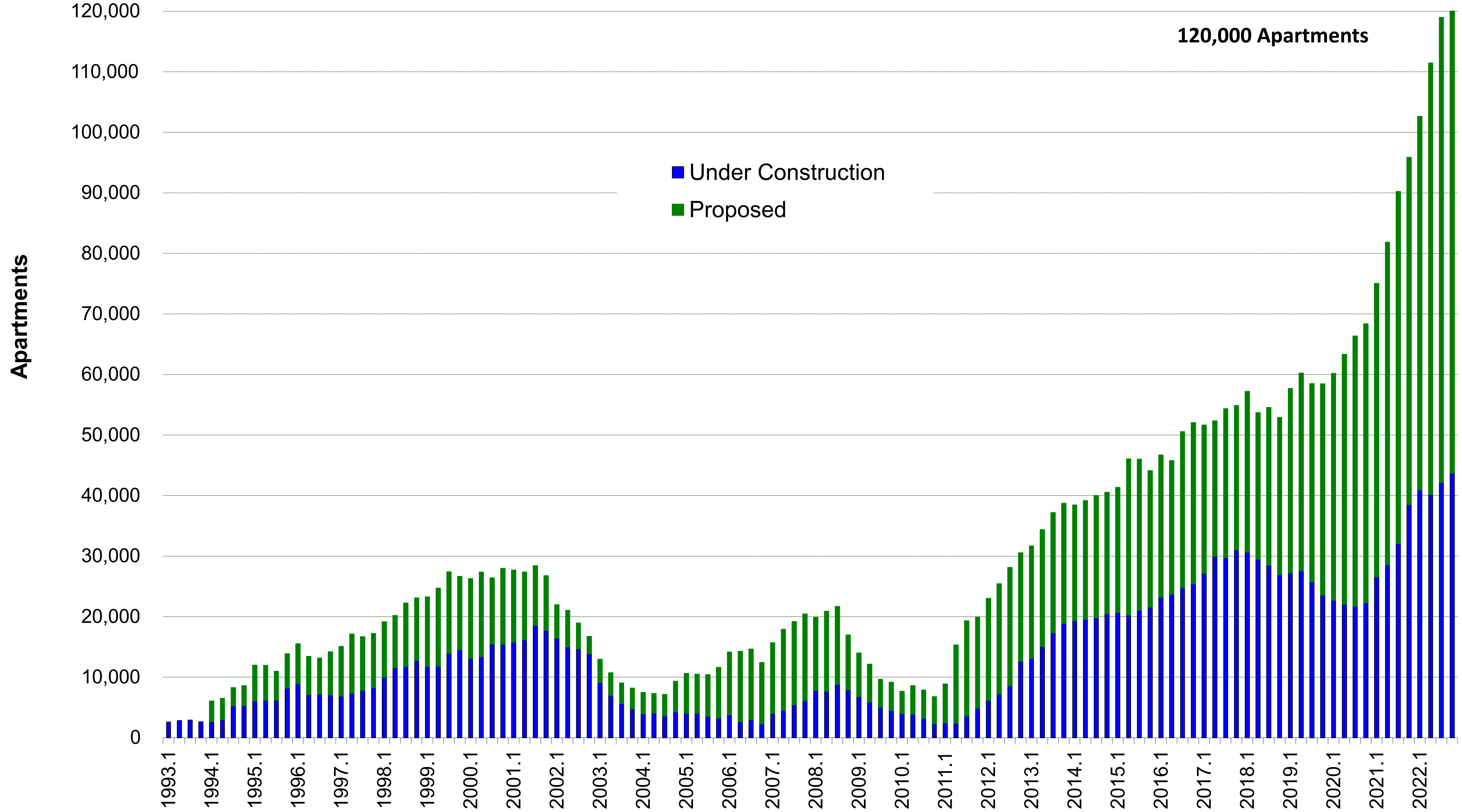


Prepared by Apartment Appraisers & Consultants and Apartment Insights

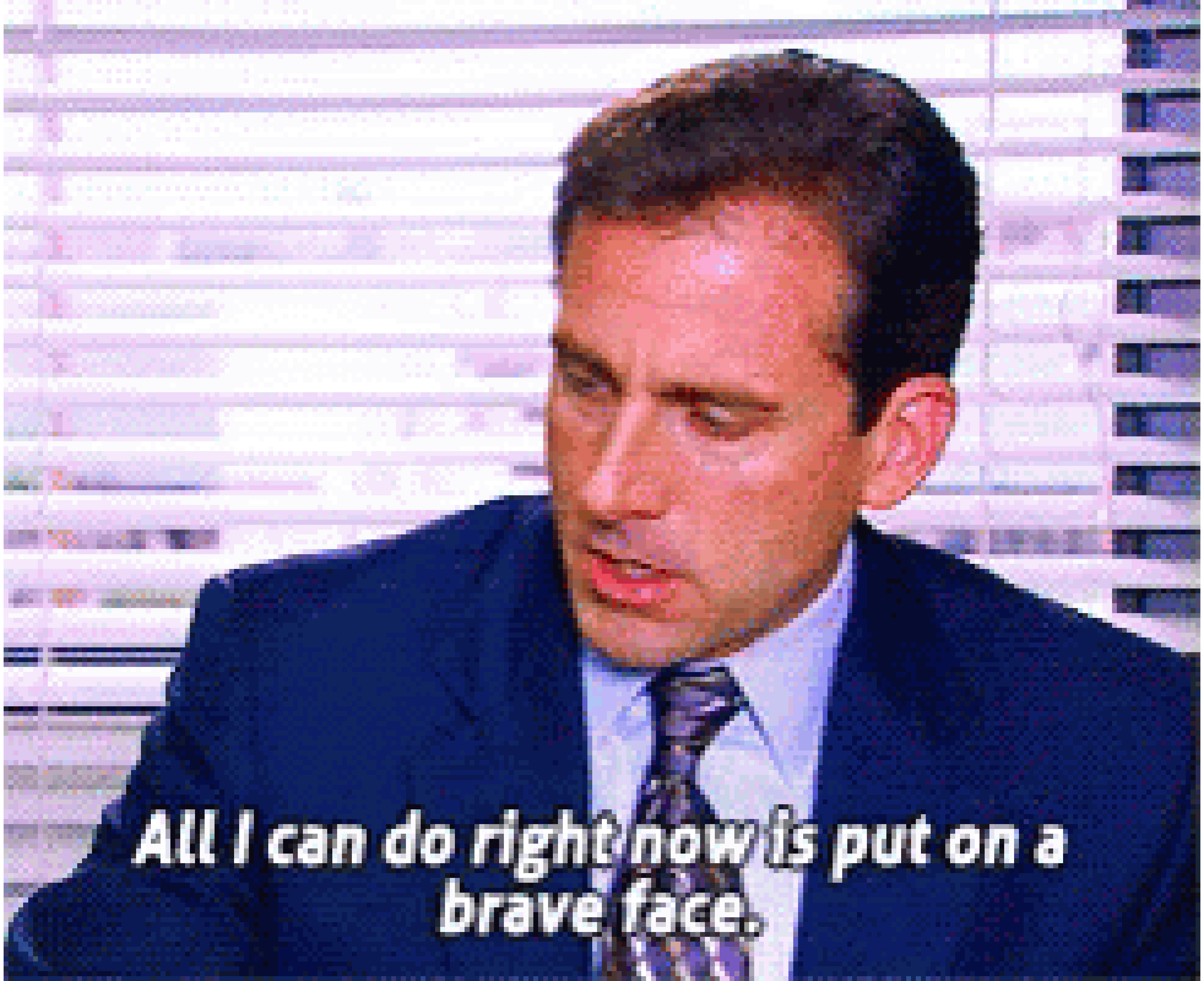


Apartments Under Construction
7-County Denver Metro Area
Apartments
Communities
Units
Communities
43,700; 188
44,000
40,000
36,000
32,000
28,000
24,000
20,000
16,000
12,000
8,000
4,000
0
200
180
160
140
120
100
80
60
40
20
0
1993.1
1994.1
1995.1
1996.1
1997.1
1998.1
1999.1
2000.1
2001.1
2002.1
2003.1
2004.1
2005.1
2006.1
2007.1
2008.1
2009.1
2010.1
2011.1
2012.1
2013.1
2014.1
2015.1
2016.1
2017.1
2018.1
2019.1
2020.1
2021.1
2022.1
Prepared by Apartment Appraisers & Consultants and Apartment Insights

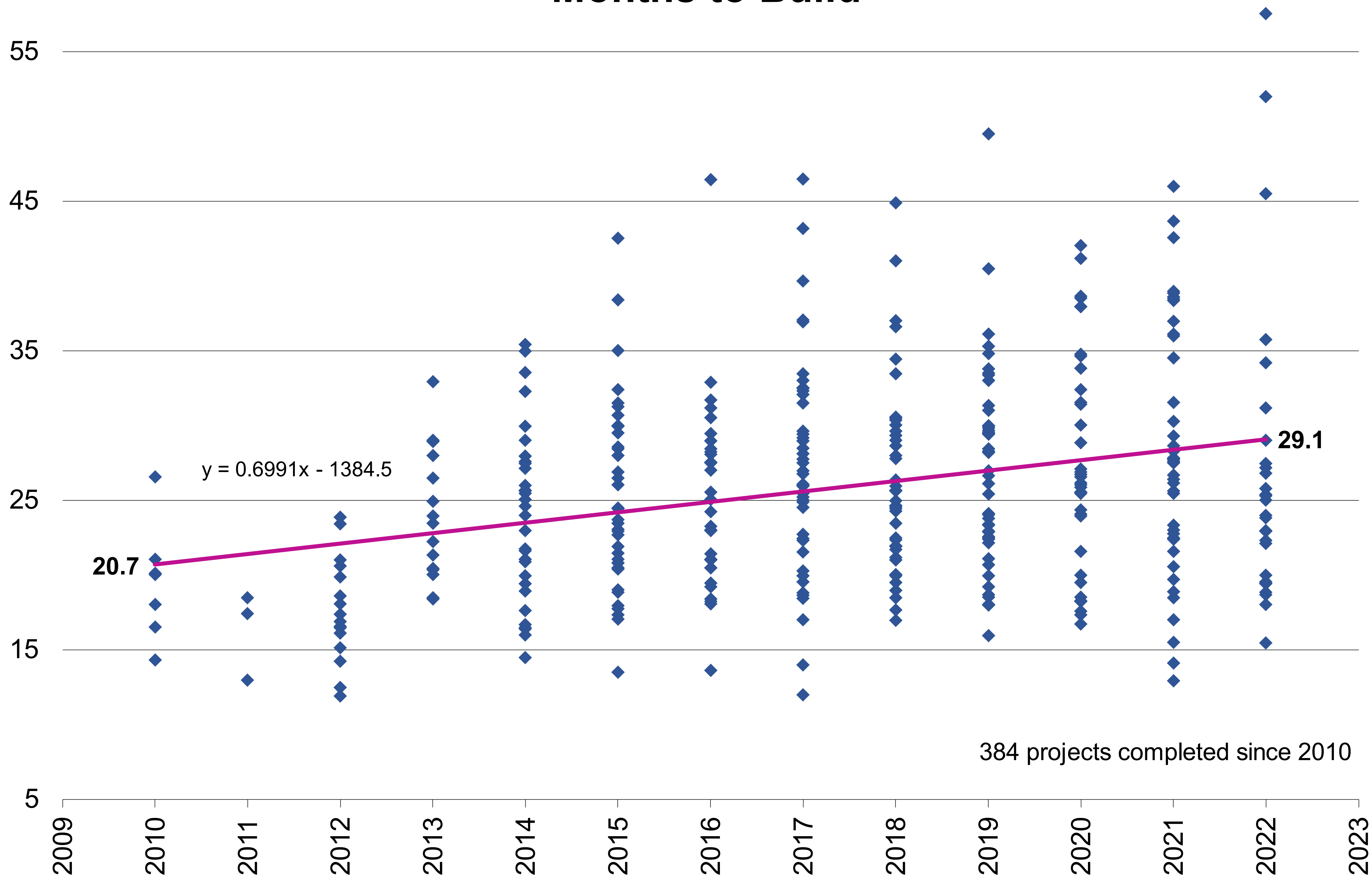
Apartments, Under Construction + Proposed
7-County Denver Metro Area



Prepared by Apartment Appraisers & Consultants and Apartment Insights


All I can do right now is put on a brave face.

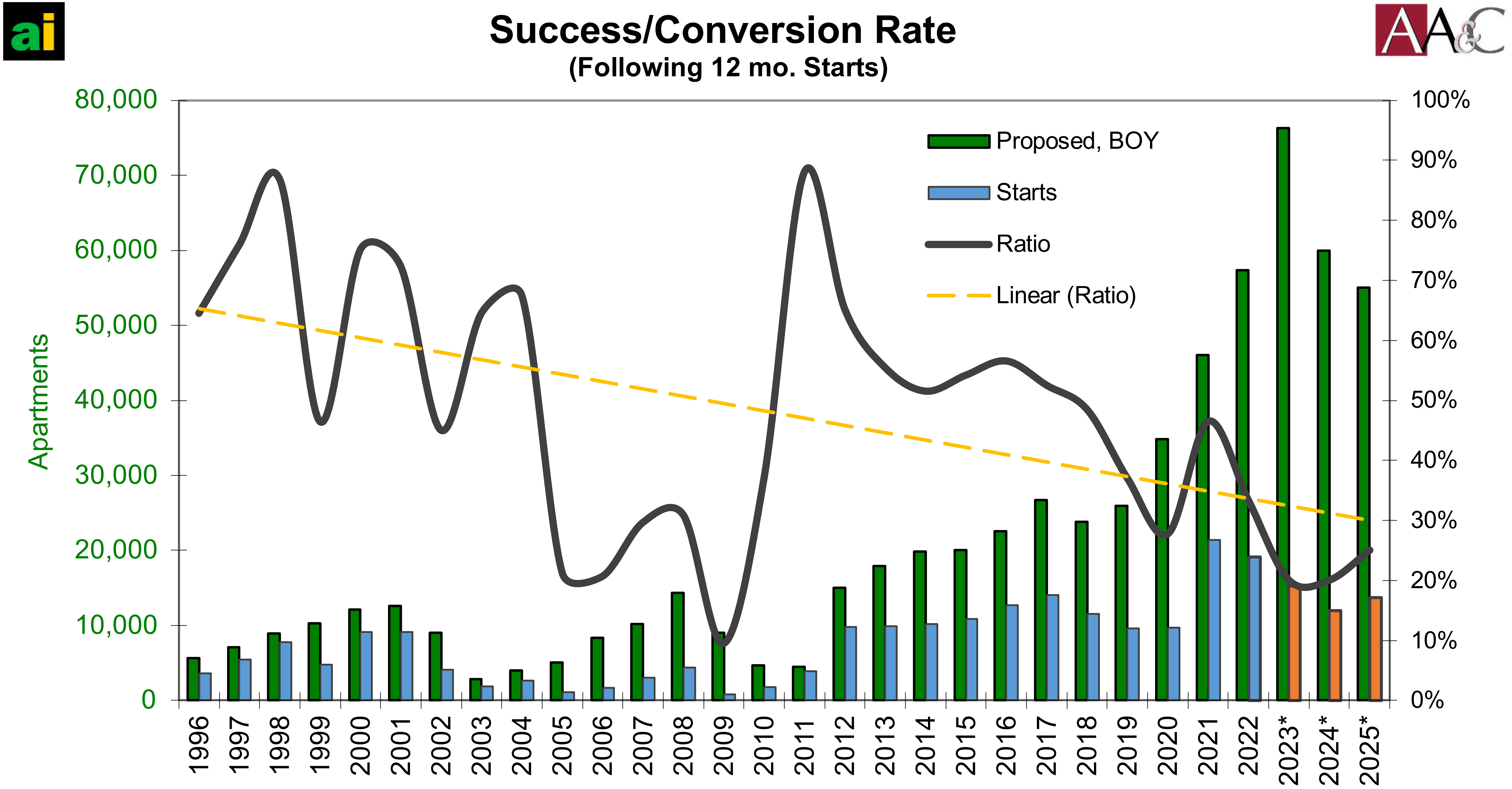
Denver Metro Area
Months to Build



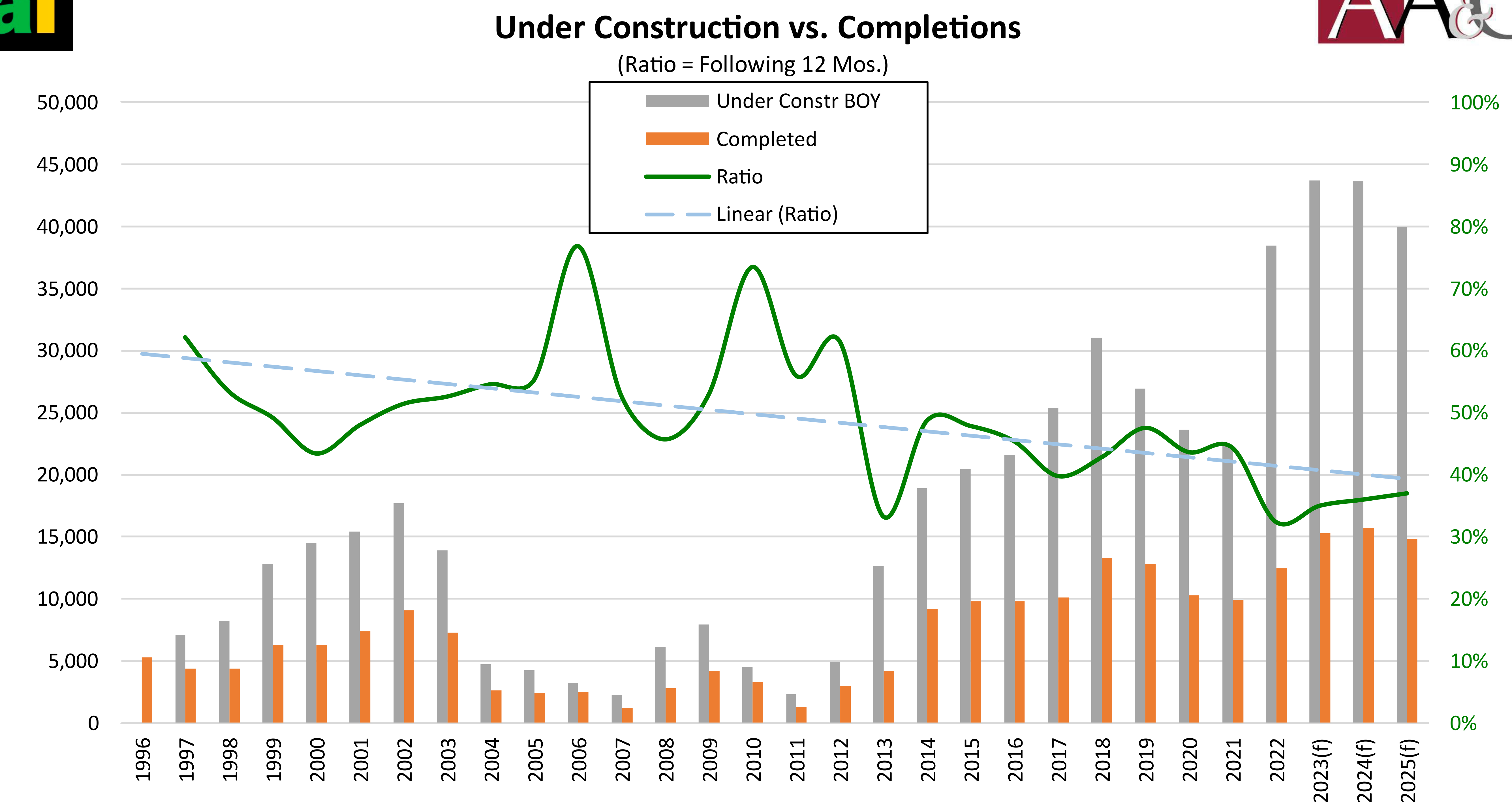
Source: Apartment Appraisers & Consultants, 2/2023

DENVER METRO COUNTY-BY-COUNTY ANALYSIS								
	2010	2022	% Increase	Projects	% Projects	Units	% Units	Avg Units
Arapahoe	25.6	26.2	2%	42	11%	10,346	11%	246
Jefferson	22.5	27.1	20%	41	11%	10,402	11%	254
Adams	20.0	24.3	22%	32	8%	7,453	8%	233
Douglas	21.4	26.3	23%	36	9%	8,642	9%	240
Broomfield	23.0	28.7	25%	16	4%	4,618	5%	289
Boulder	16.9	26.5	56%	35	9%	6,922	8%	198
Denver	***19.4***	***32.3***	***67%***	***182***	***47%***	***43,711***	***47%***	***240***
Average/Total	**20.7**	**29.1**	**41%**	**384**	**100%**	**92,094**	**100%**	**240**

Source: Apartment Appraisers & Consultants, 2/2023

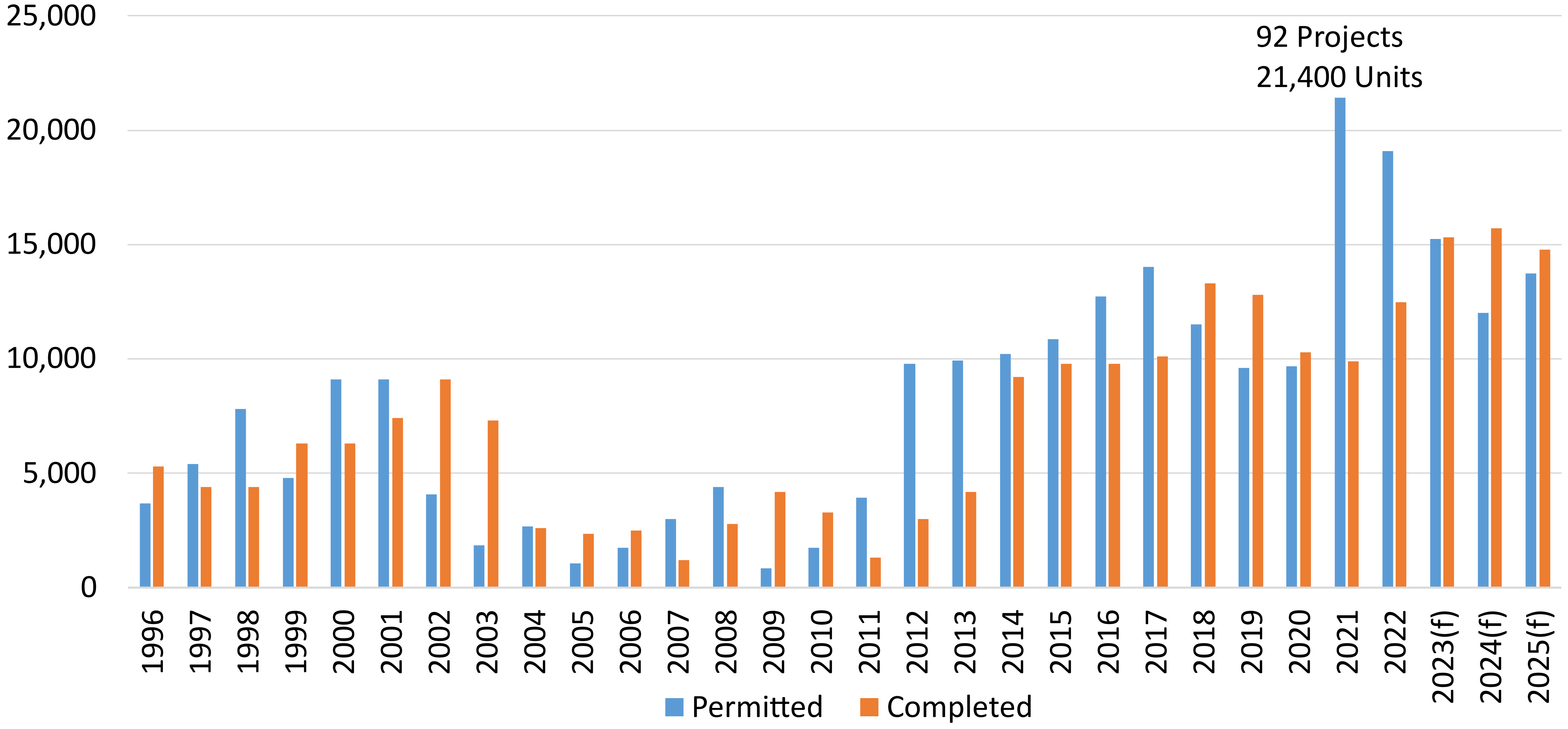


Prepared by Apartment Appraisers & Consultants and Apartment Insights, 2/2023

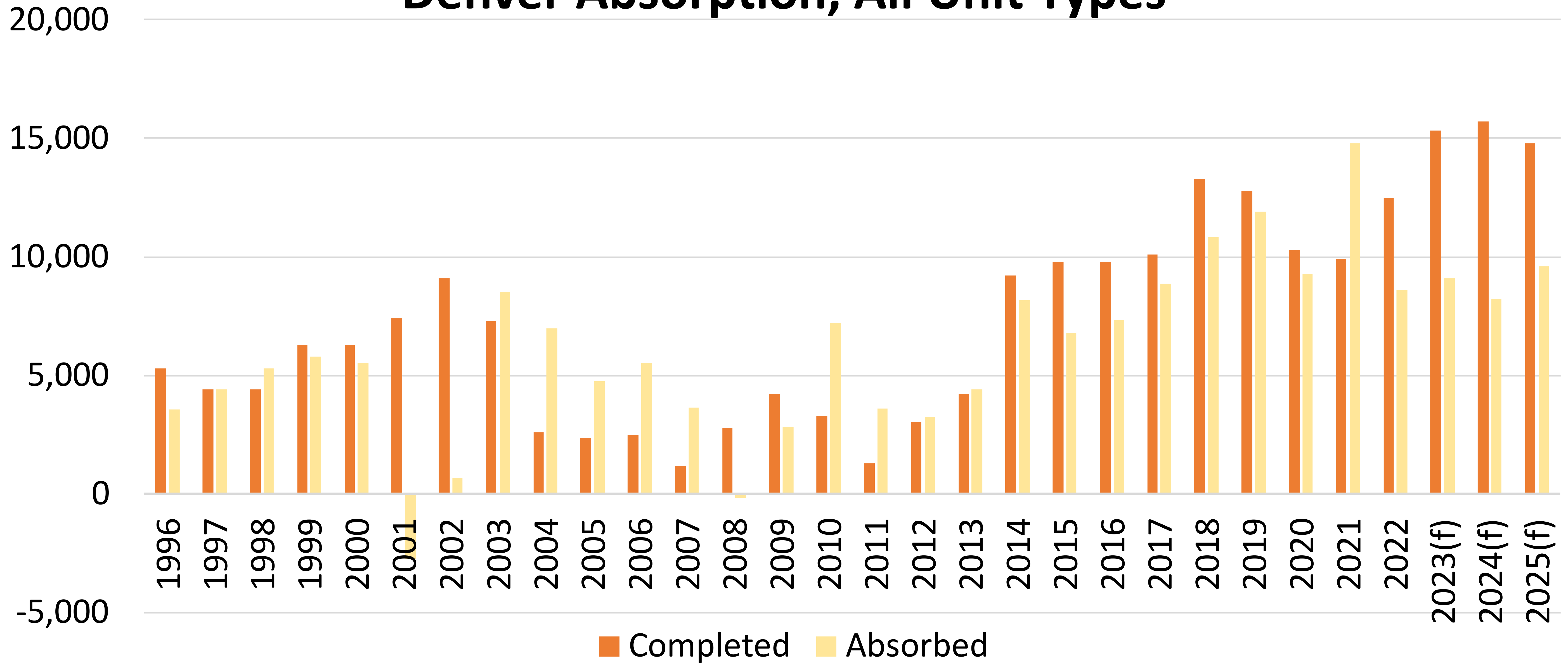


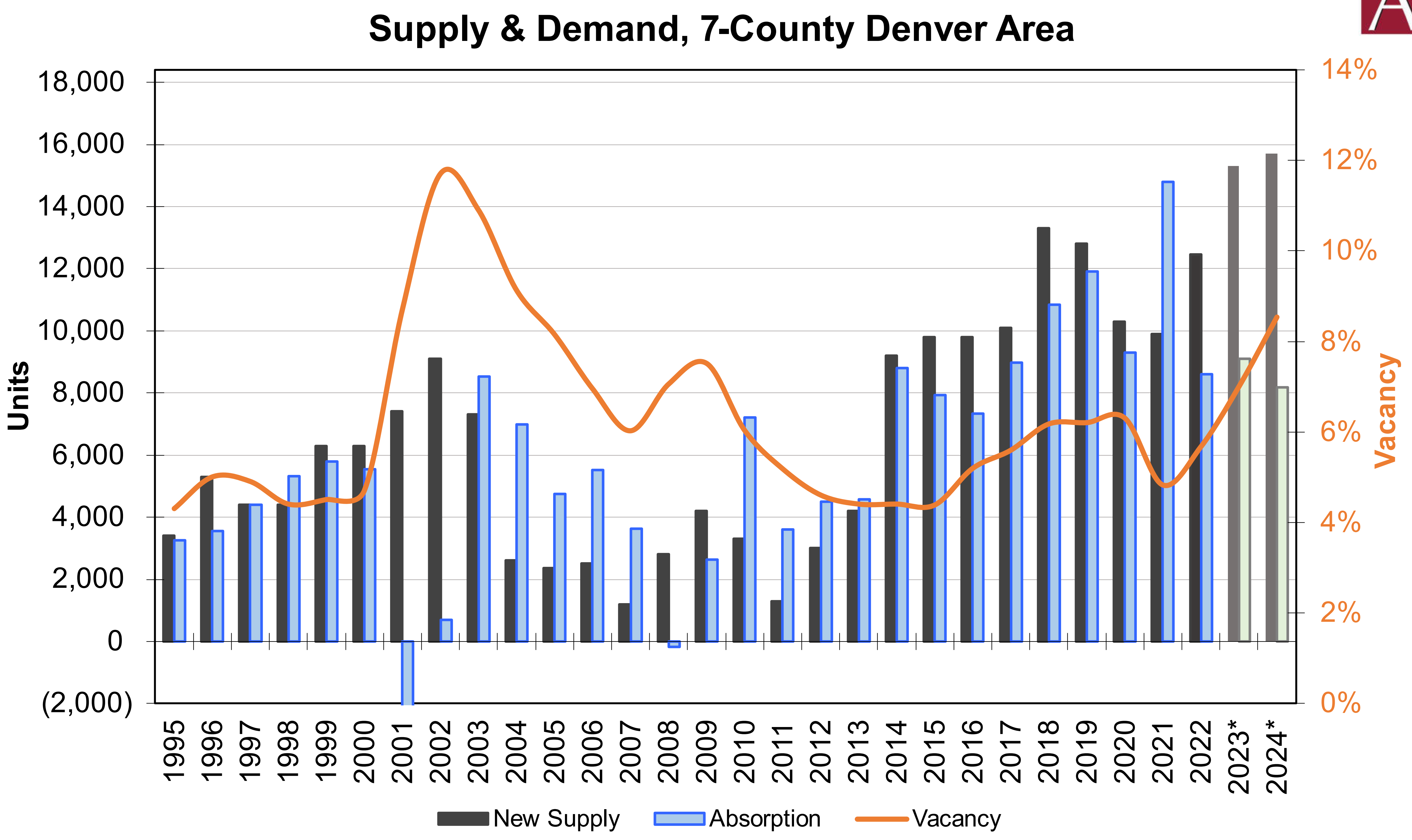
Prepared by Apartment Appraisers & Consultants and Apartment Insights, 2/2023

Denver Starts/Permits vs. Completions



Denver Absorption, All Unit Types



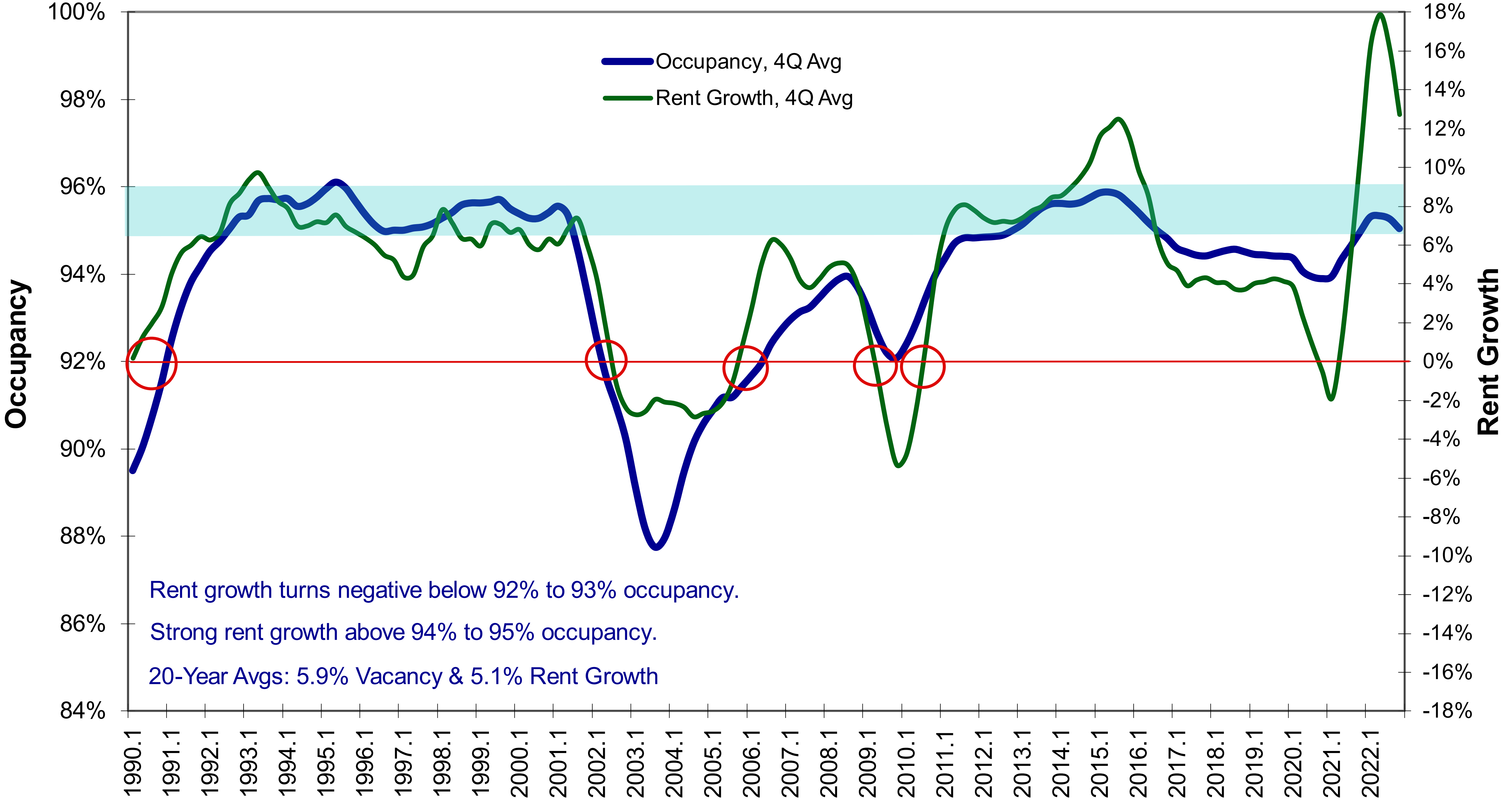


Source: AA&C, Apartment Insights, and the Denver Metro Apt. Vac. & Rent Survey

* Forecast

So, what is the magic vacancy?

Effective Rent Growth vs. Occupancy
Denver Metro Area



Prepared by Apartment Appraisers & Consultants 2/2023.

Impact of Denver Inclusionary Housing Ordinance

- From 2018 through 2021, **an average of 50.4%** of units in the proposed pipeline were in Denver proper. **During 2Q 2022, 58.8%** of the pipeline was in Denver.

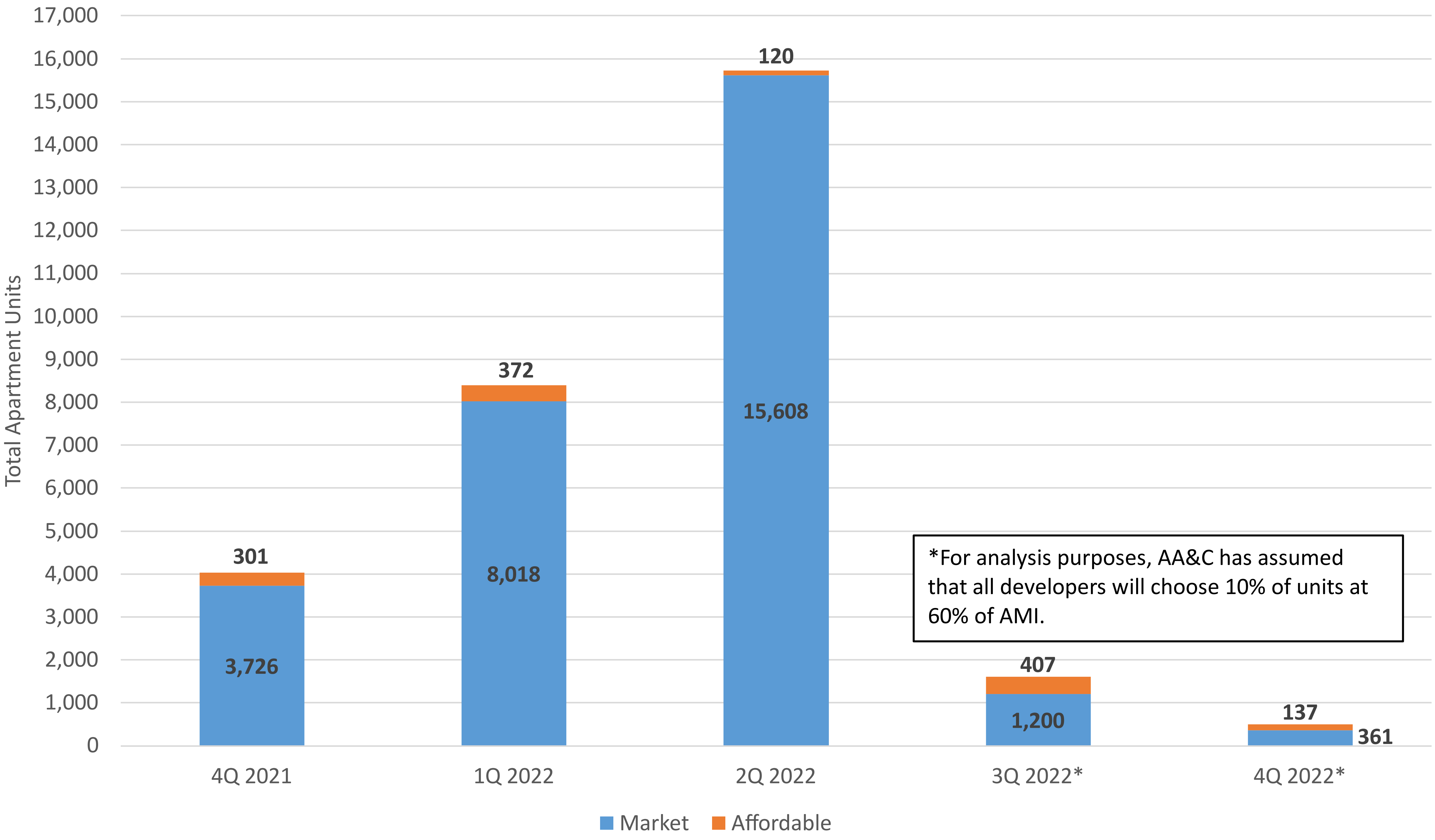
- The number of units proposed in Denver proper from 2Q 2021 to 2Q 2022 **increased by nearly 14,800 units (up 63.1%) YoY.**

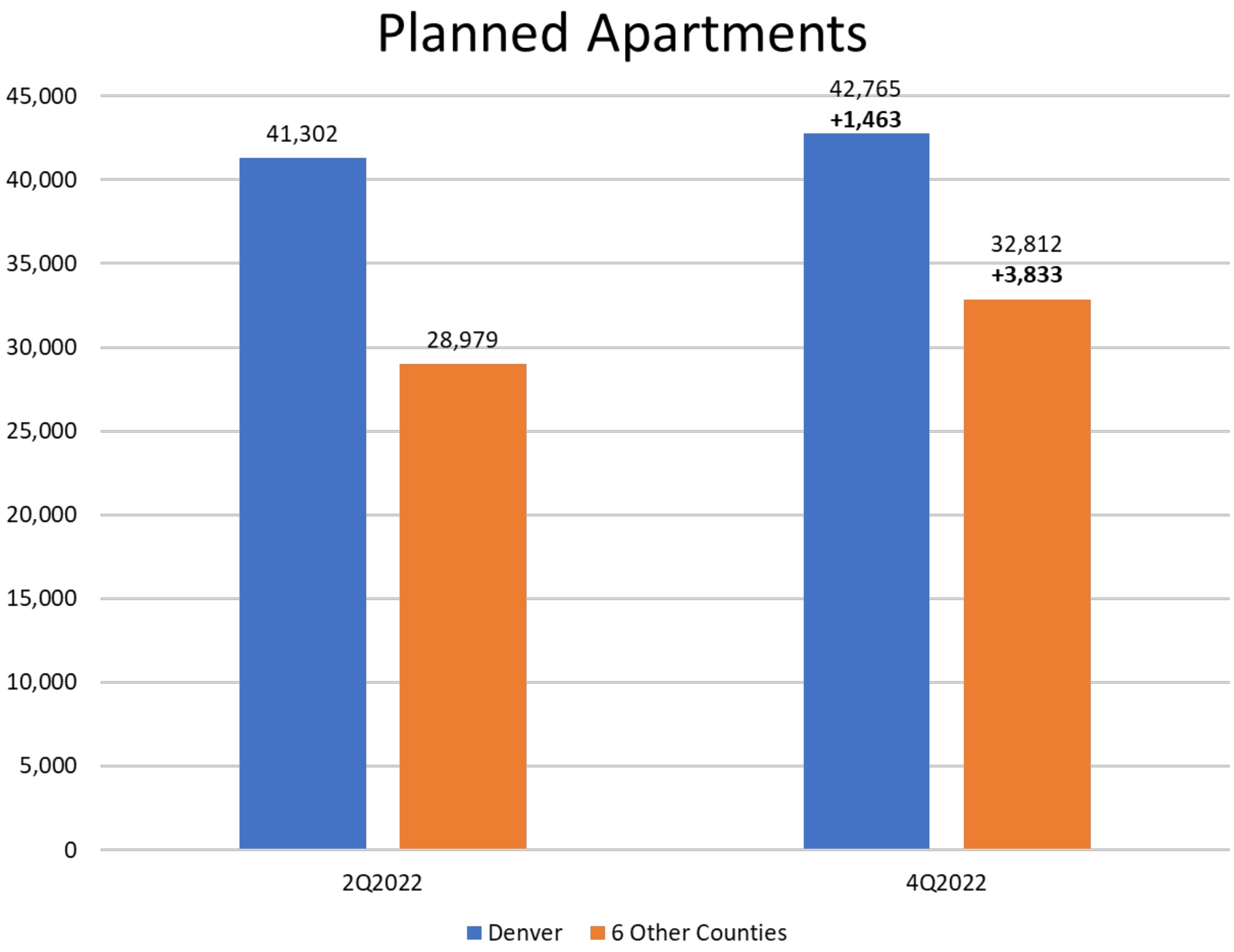
- The number of units proposed in Denver proper from 1Q 2022 to 2Q 2022 **increased by nearly 8,700 units (up 29.4%) QoQ.**

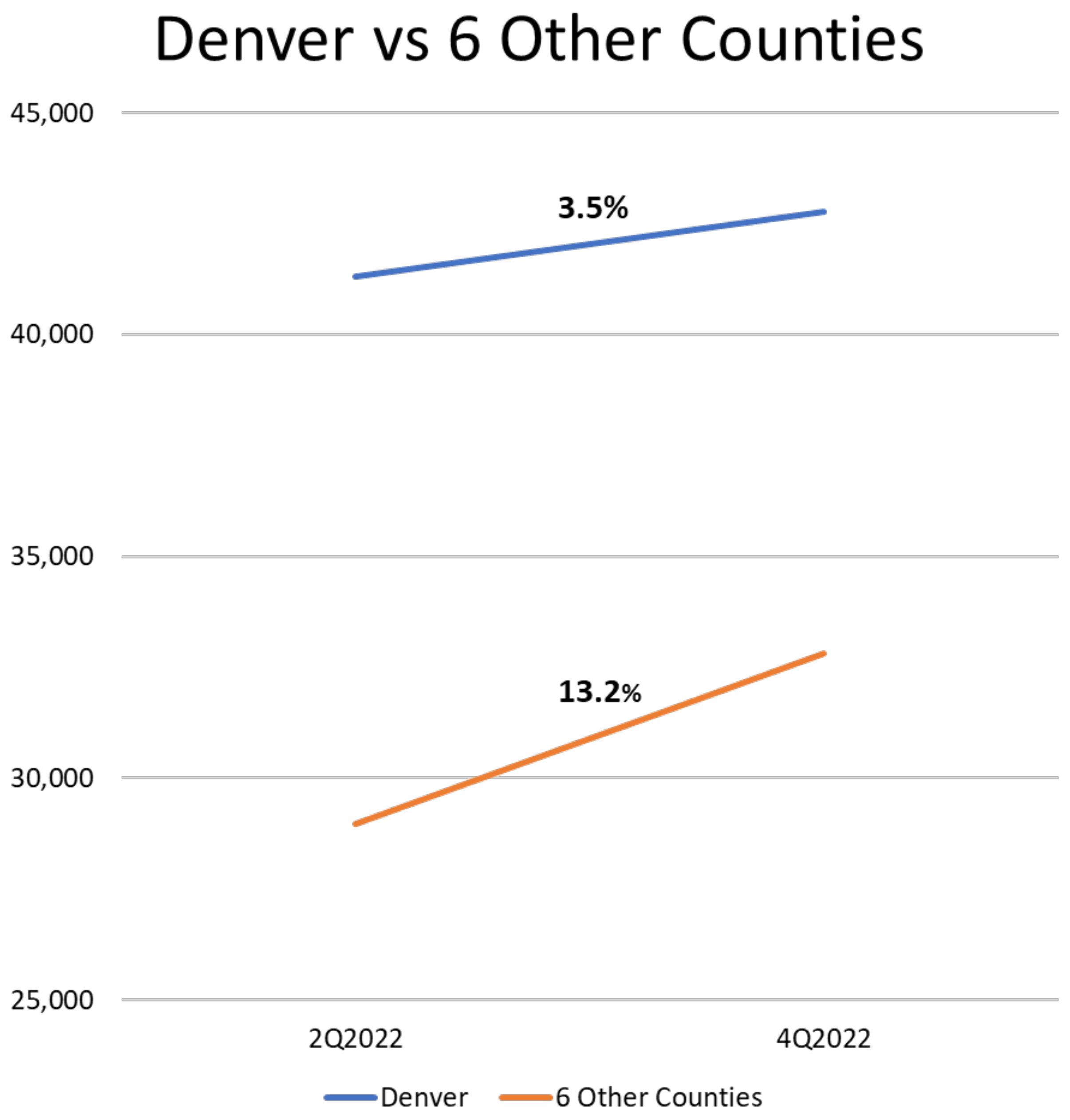
- We expect many fewer units will be proposed in the City of Denver over the next few years, and once the projects in the pipeline are completed, fewer units will be delivered in Denver, exacerbating the housing crisis by negatively impacting apartment inventory.

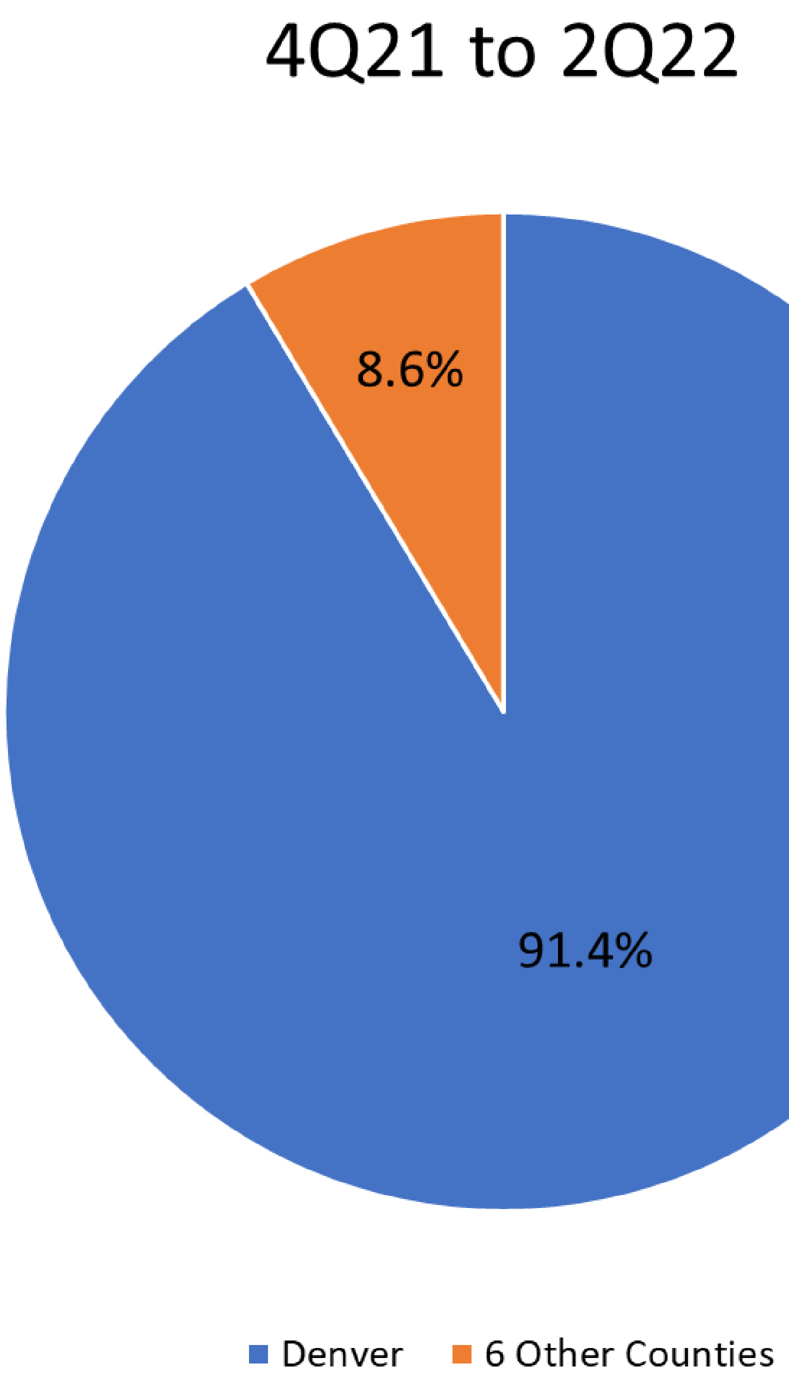
Quarterly Apartment Applications

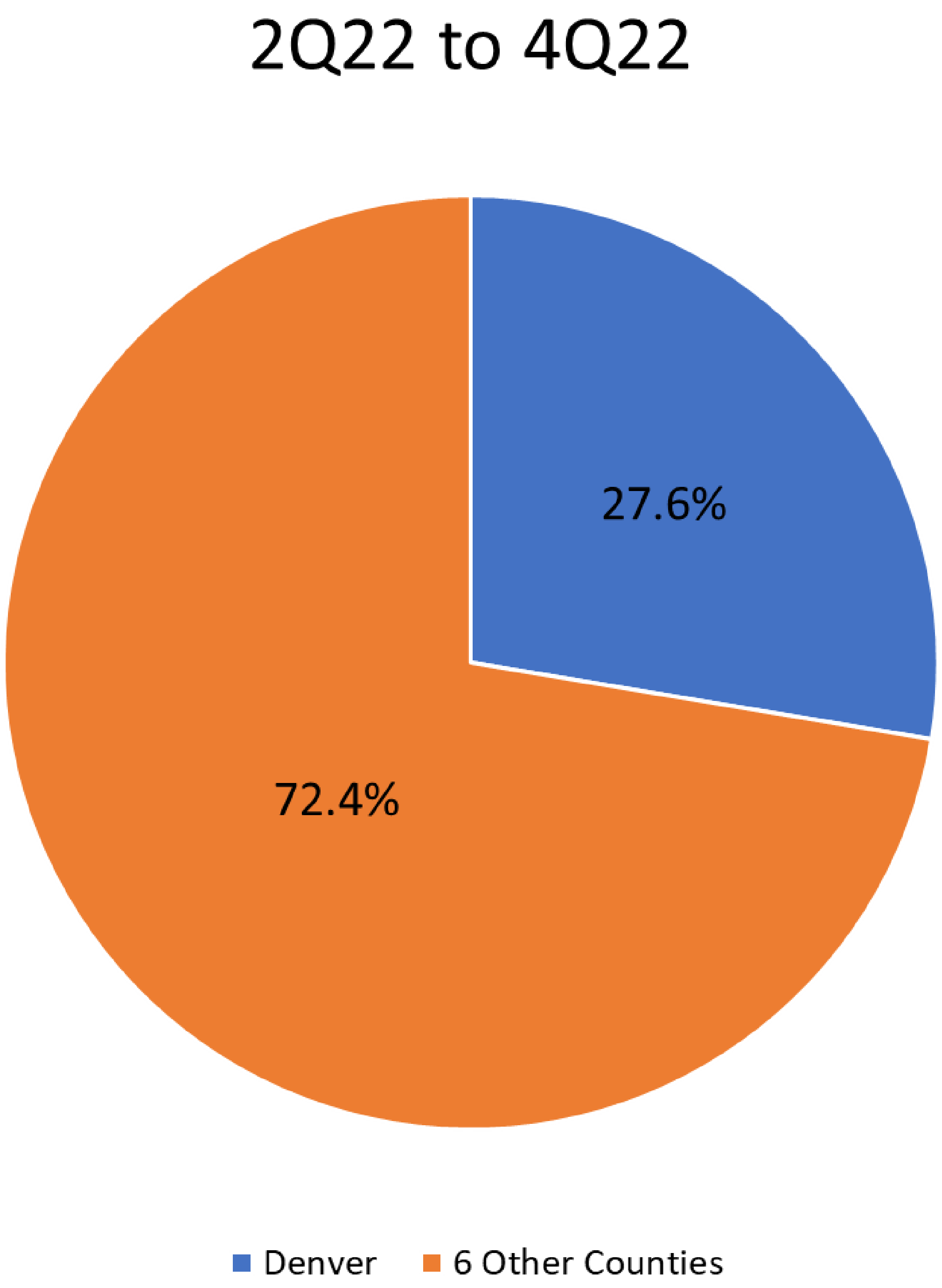
City & County of Denver




Planned Apartments
45,000
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
41,302
28,979
42,765
+1,463
32,812
+3,833
2Q2022
4Q2022
Denver
6 Other Counties


Denver vs 6 Other Counties
45,000
40,000
35,000
30,000
25,000
3.5%
13.2%
2Q2022
4Q2022
Denver
6 Other Counties

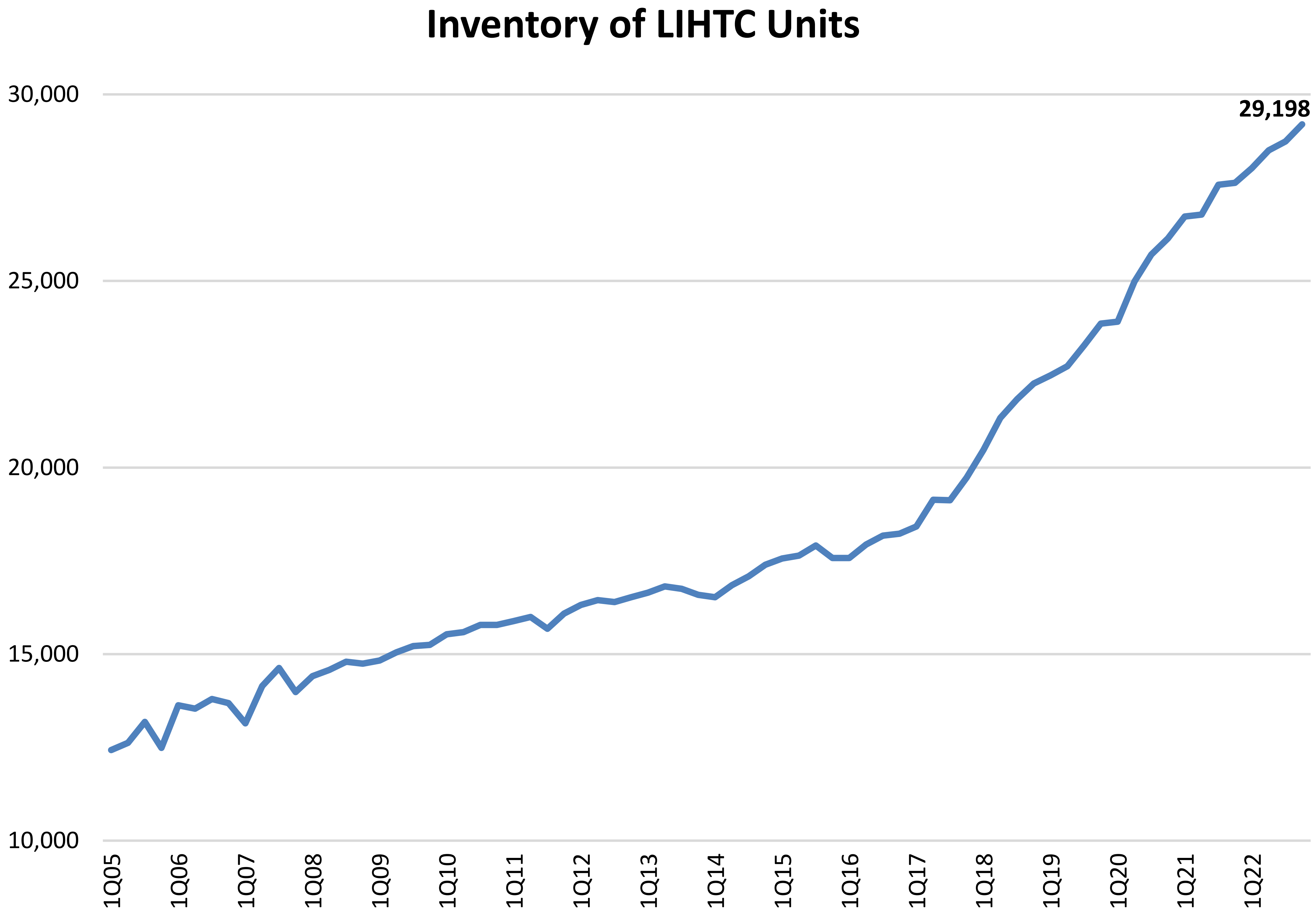

4Q21 to 2Q22
8.6%
91.4%
Denver
6 Other Counties


2Q22 to 4Q22
27.6%
72.4%
Denver
6 Other Counties

Possible Upcoming Legislative and Regulatory Issues

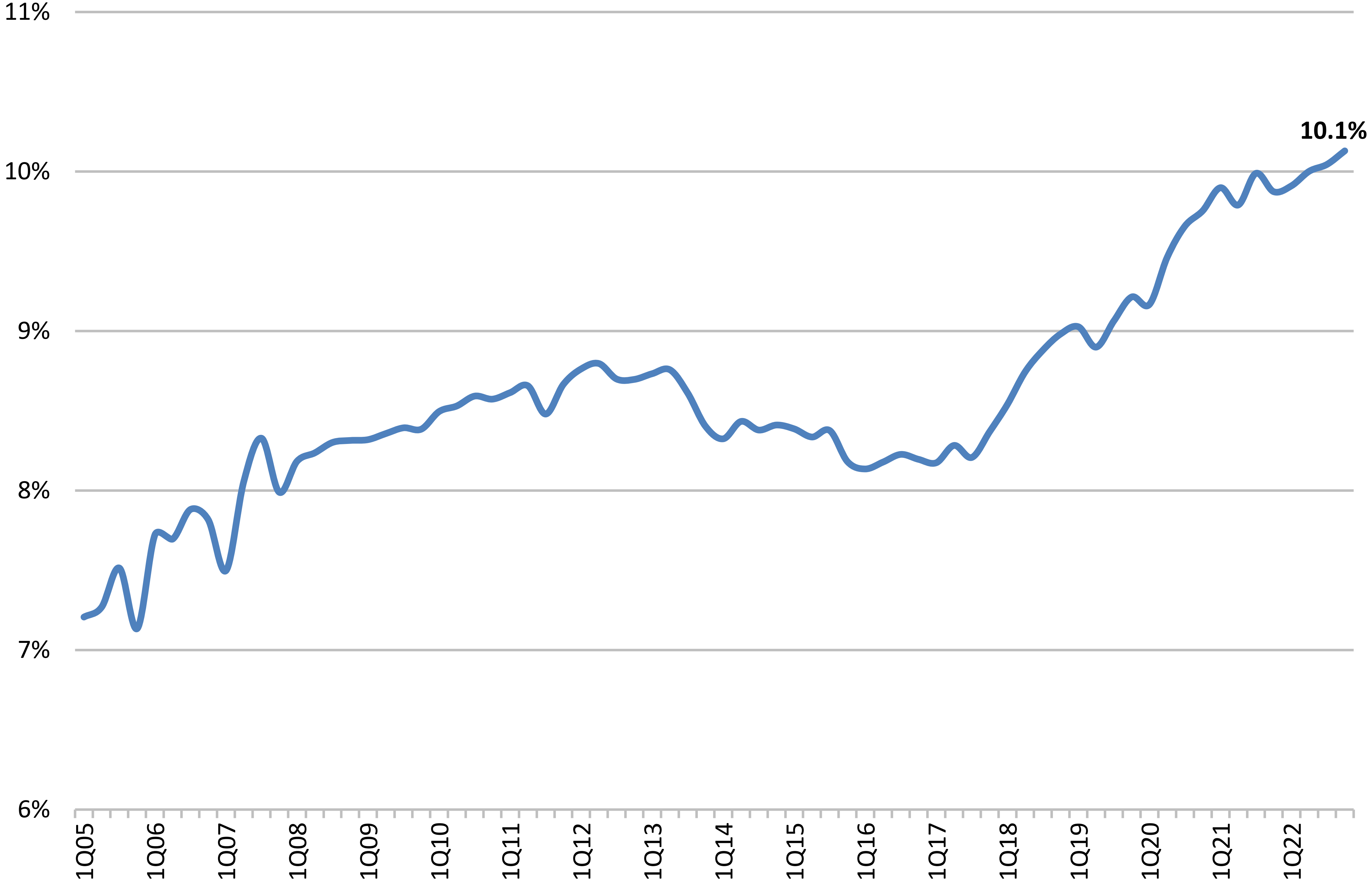
- Rent Control
- Right of First Refusal (ROFR)
- Just Cause Evictions
- Prohibition of Mandatory Renters Insurance
- Elimination of Pet Rent and Pet Fees
- Limitations on Security Deposit
- Right to Counsel

Affordable Analysis



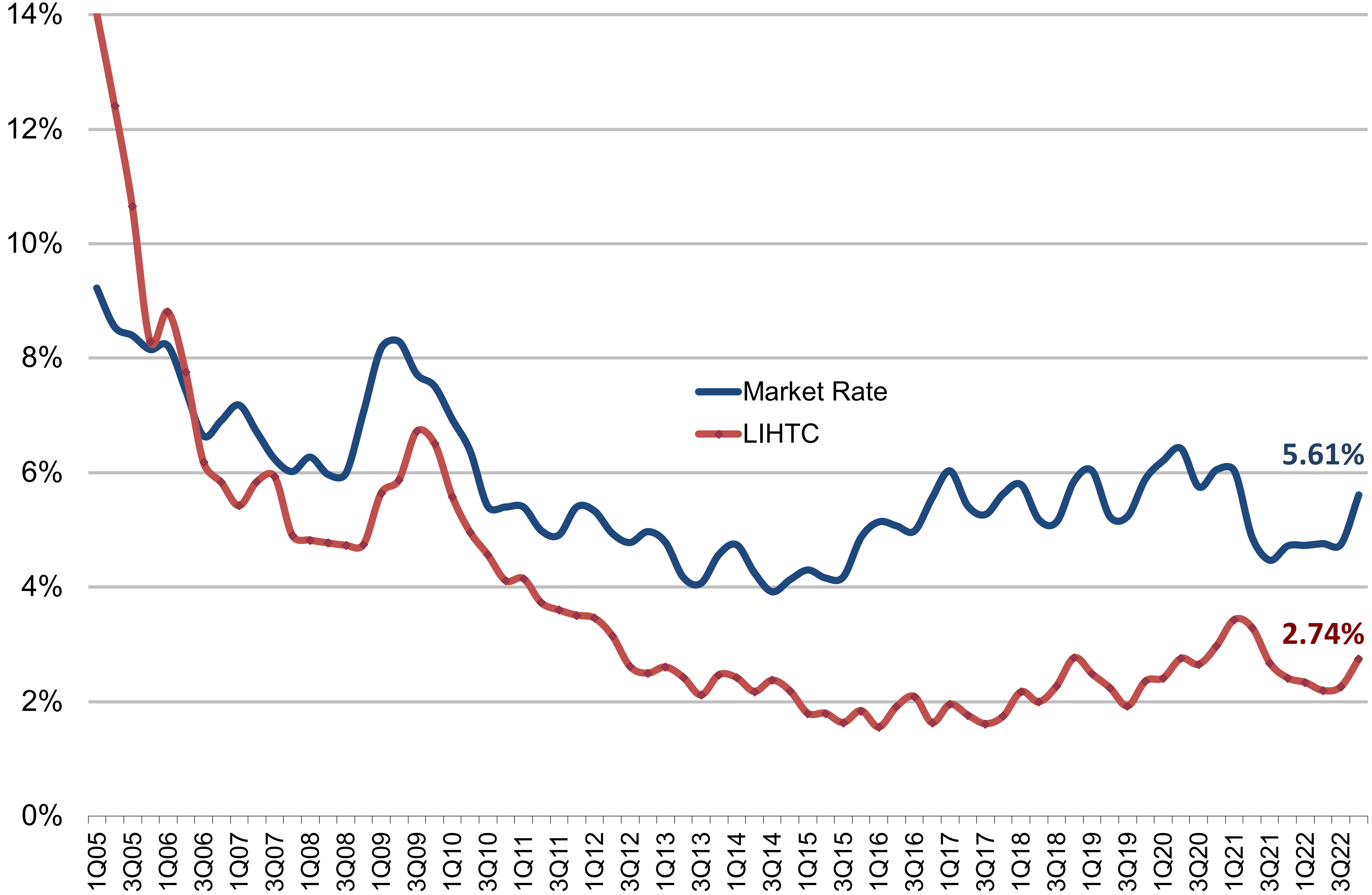
Data Source: Apartment Insights, Denver, CO

LIHTC Units/Total Units, Metro Denver



Data Source: Apartment Insights, Denver, CO

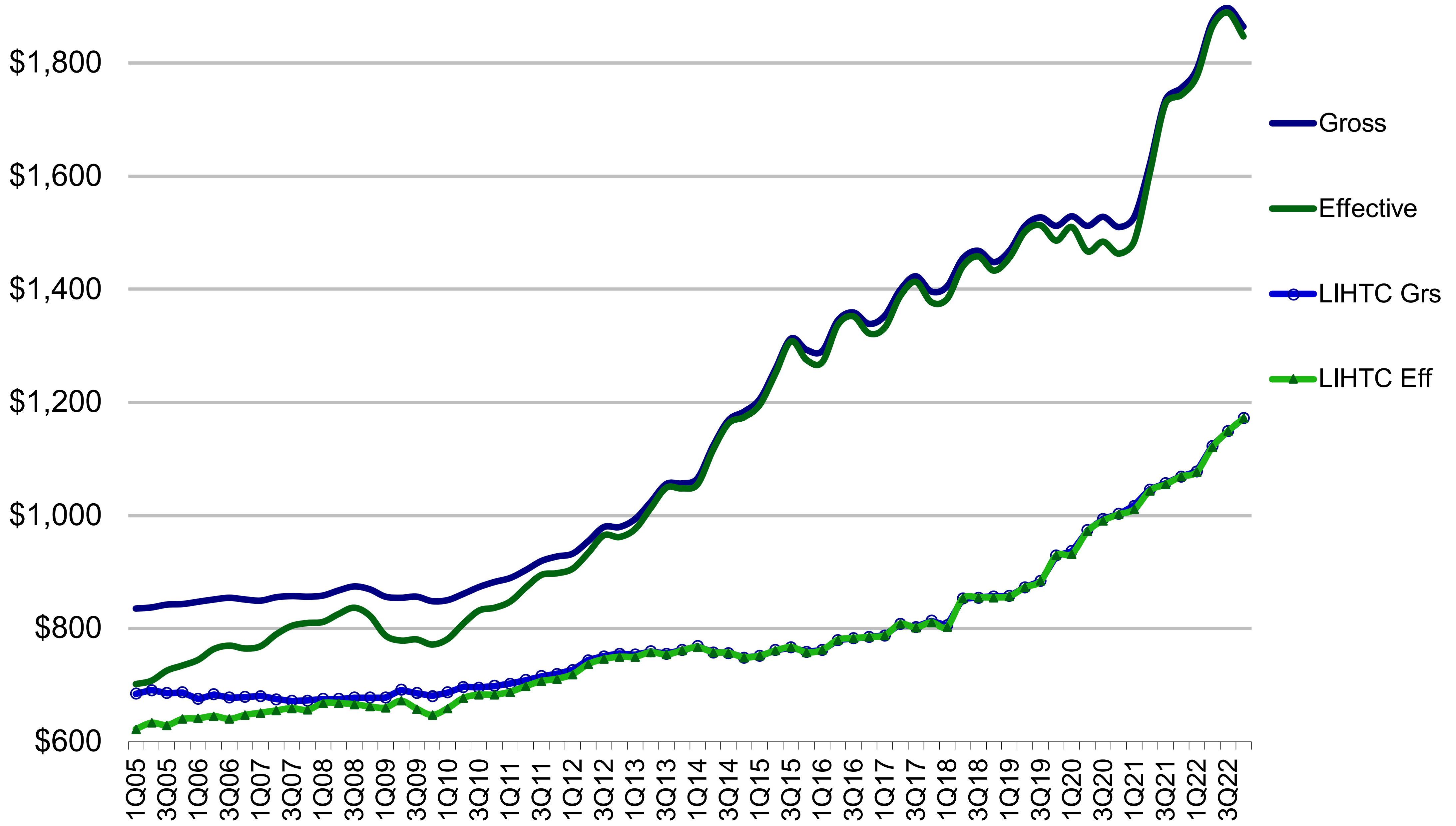
Vacancy Rates, Denver MSA



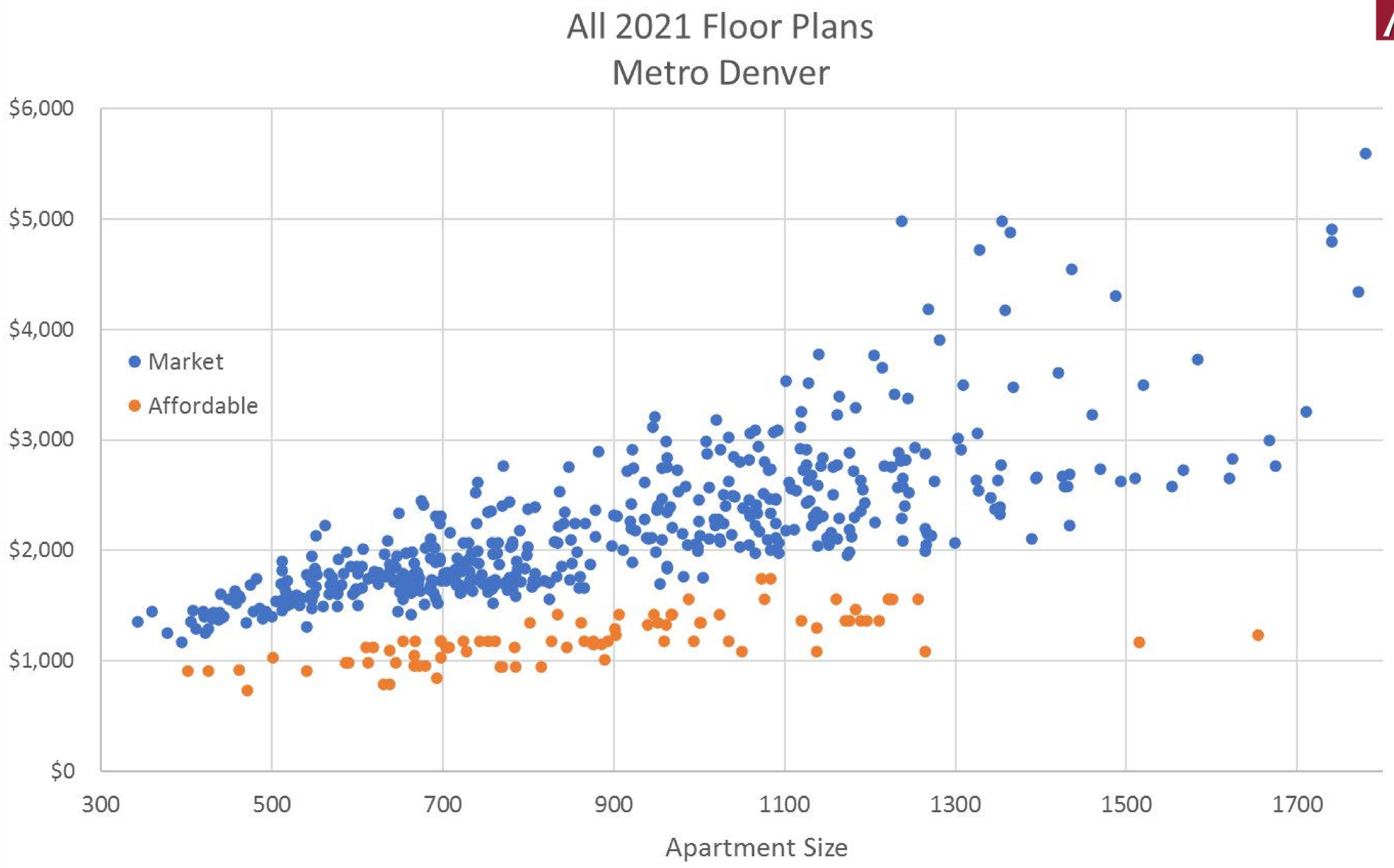
Data Source: Apartment Insights, Denver, CO

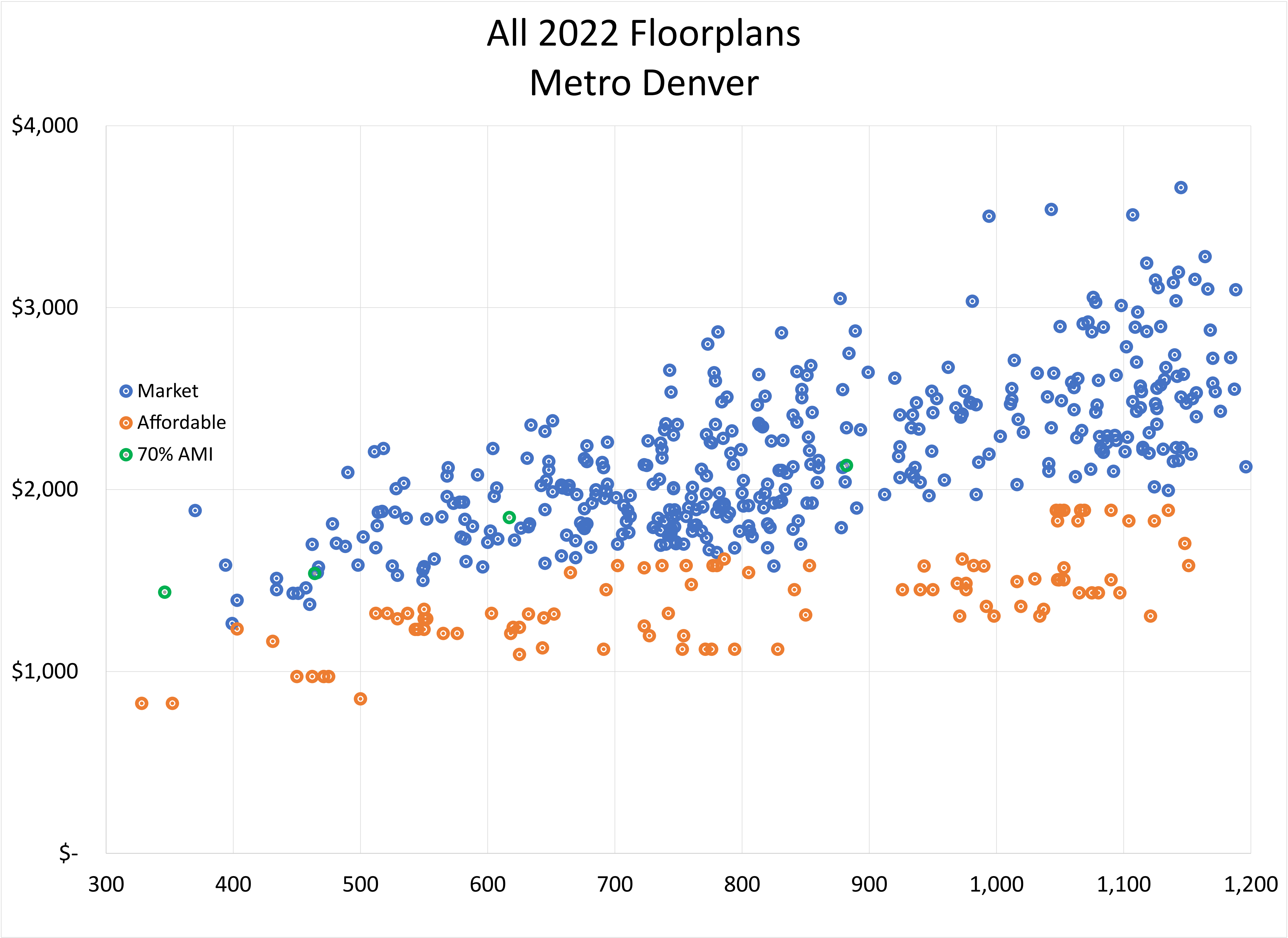
Market Rents vs Affordable Rents

Denver MSA



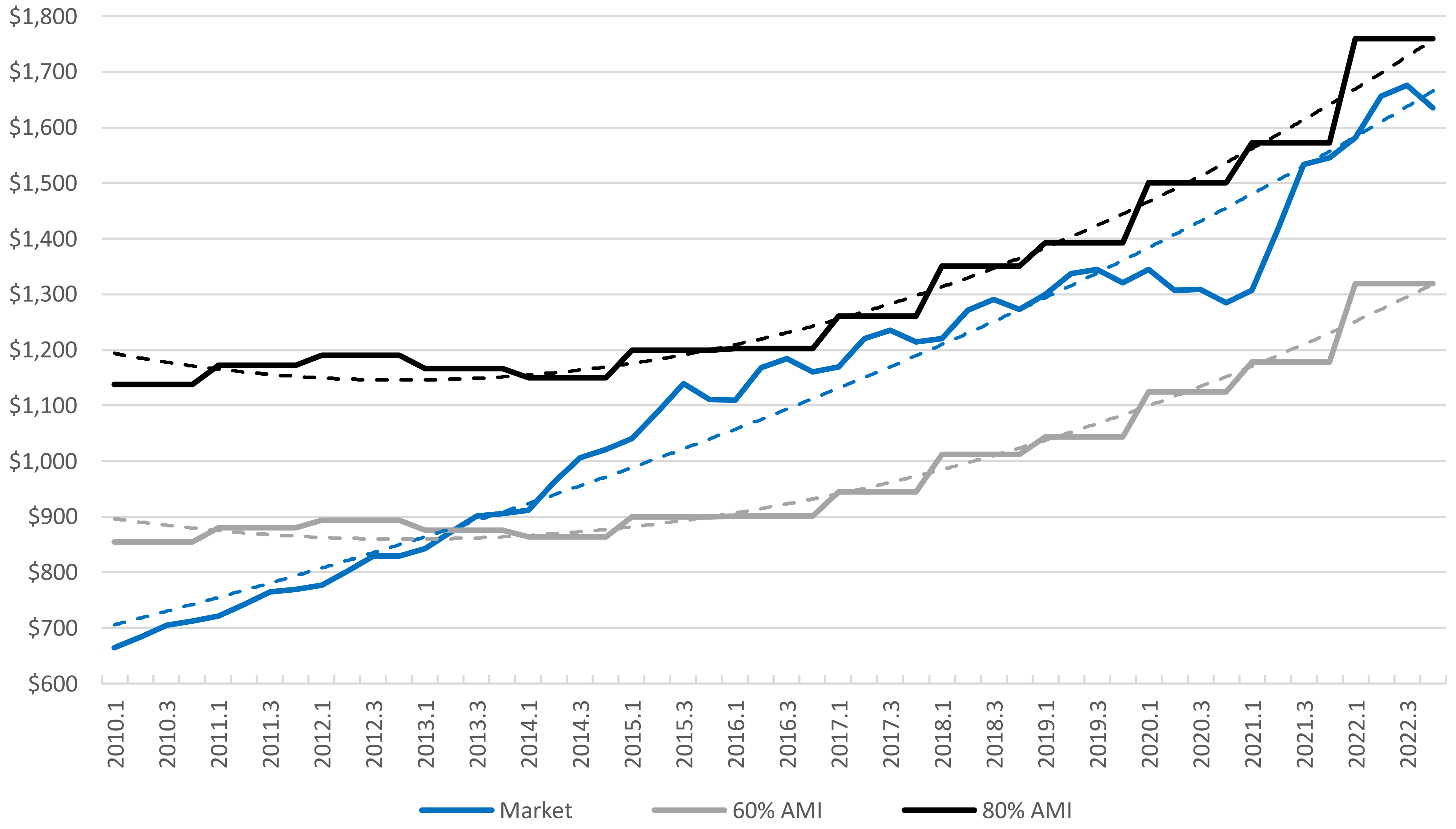
Data Source: Apartment Insights, Denver, CO


All 2021 Floor Plans
Metro Denver
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
Market
Affordable
300
500
700
900
1100
1300
1500
1700
Apartment Size

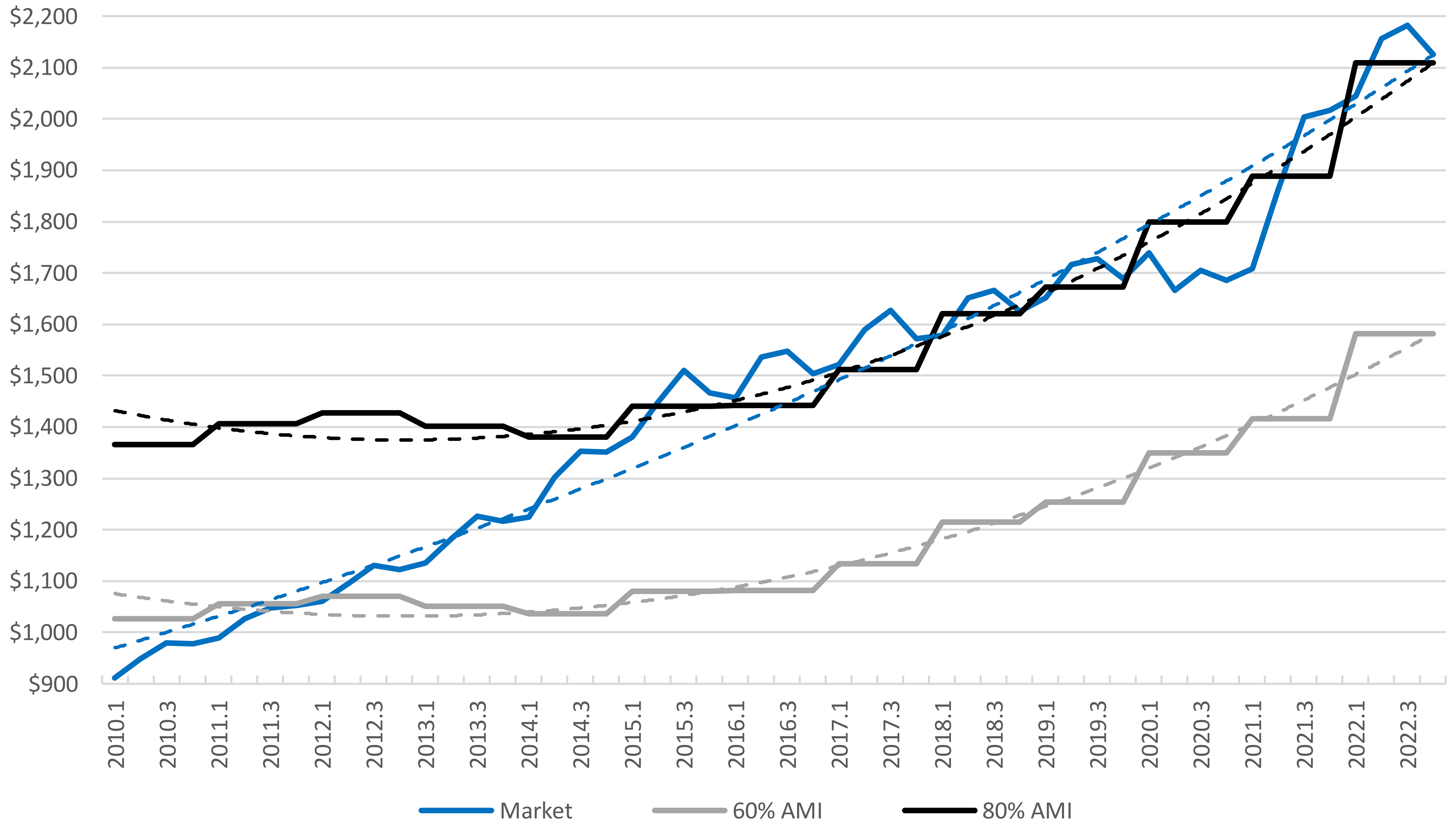


All 2022 Floorplans
Metro Denver
$4,000
$3,000
$2,000
$1,000
$-
300
400
500
600
700
800
900
1,000
1,100
1,200
Market
Affordable
70% AMI

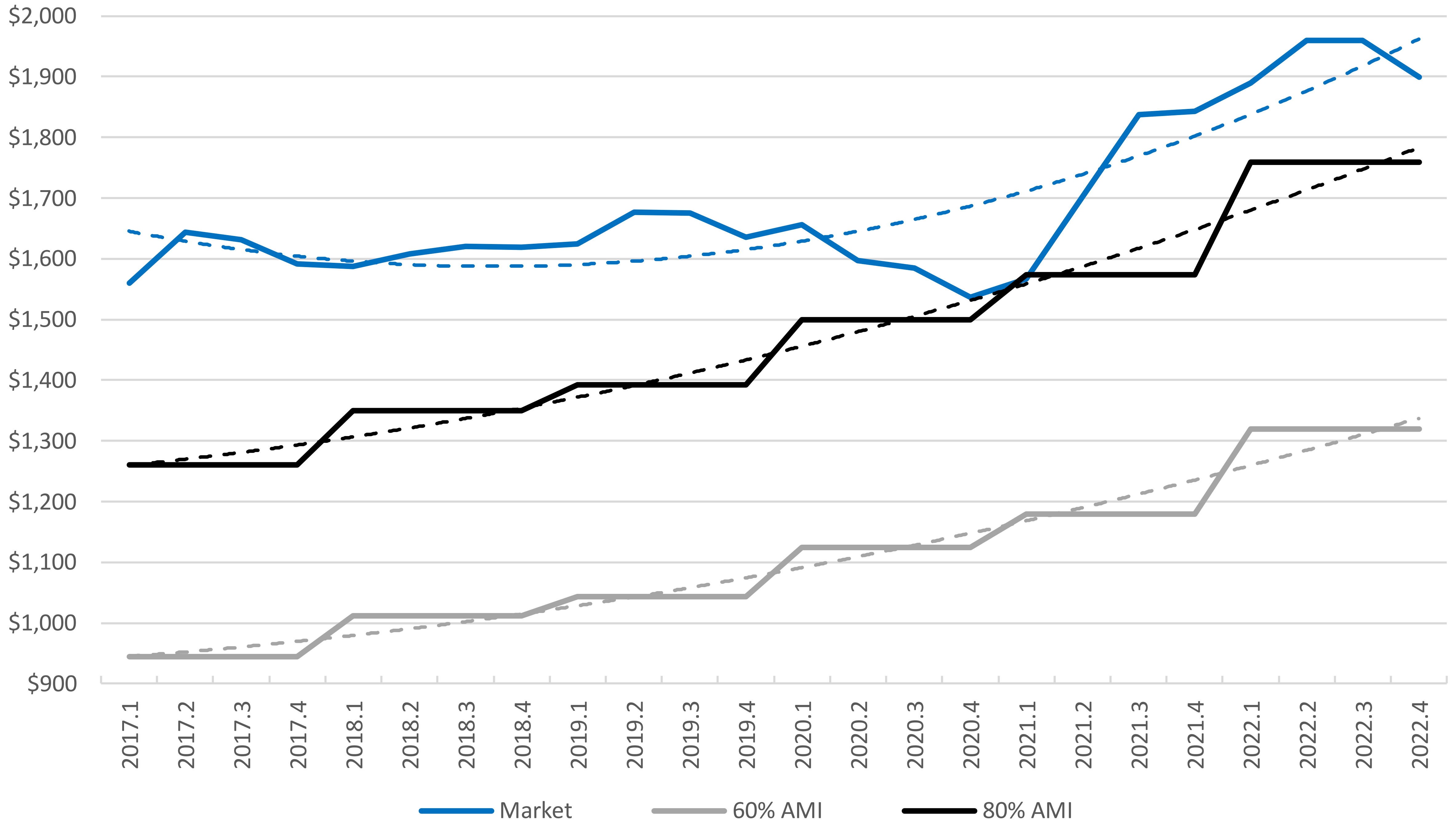
Avg. Net Market Rents vs. Affordable Rents (60% & 80%)- All 1-Bedroom/1-Bathroom

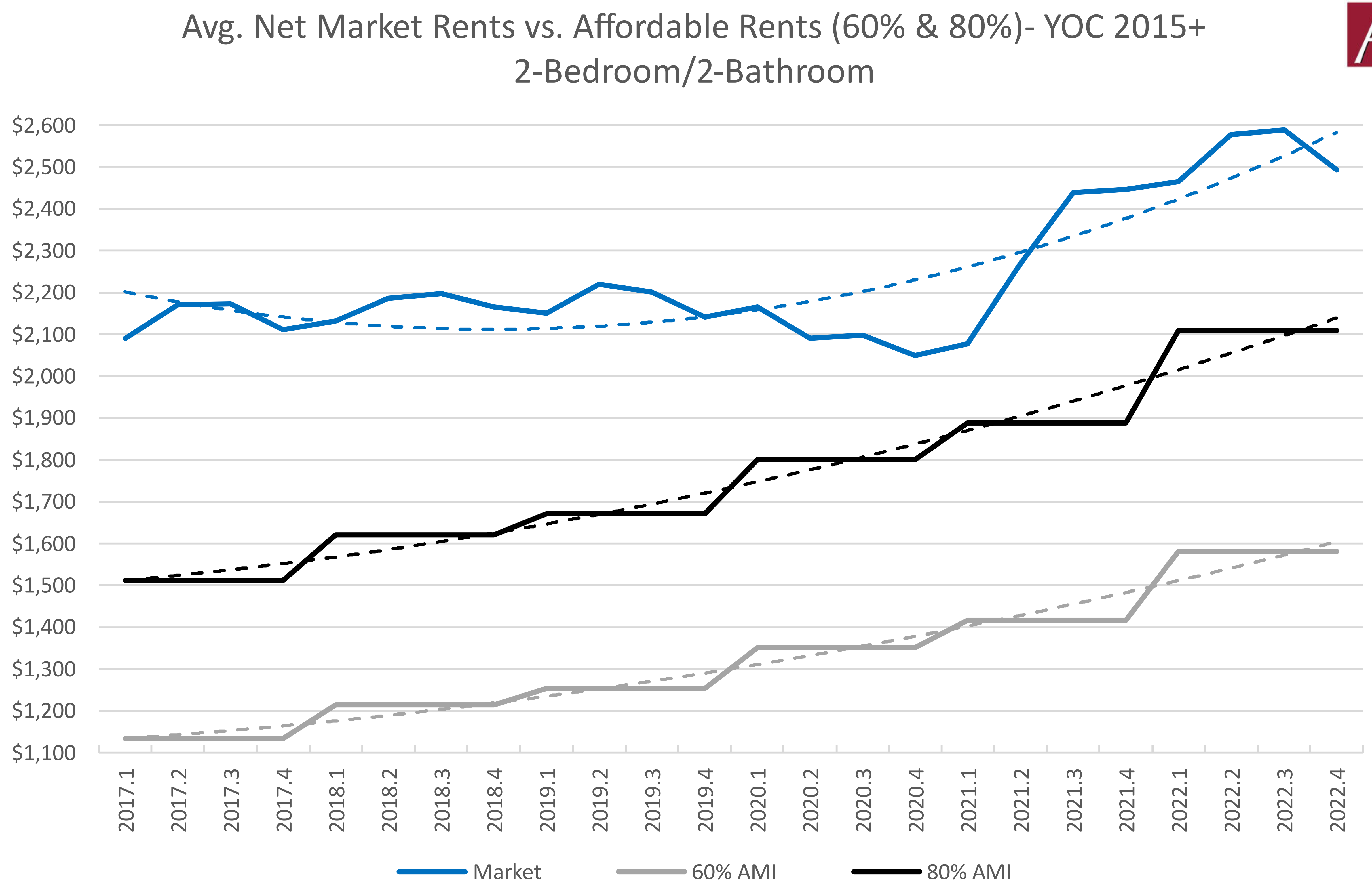


Avg. Net Market Rents vs. Affordable Rents (60% & 80%)- All 2-Bedroom/2-Bathroom



Avg. Net Market Rents vs. Affordable Rents (60% & 80%)- YOC 2015+
1-Bedroom/1-Bathroom

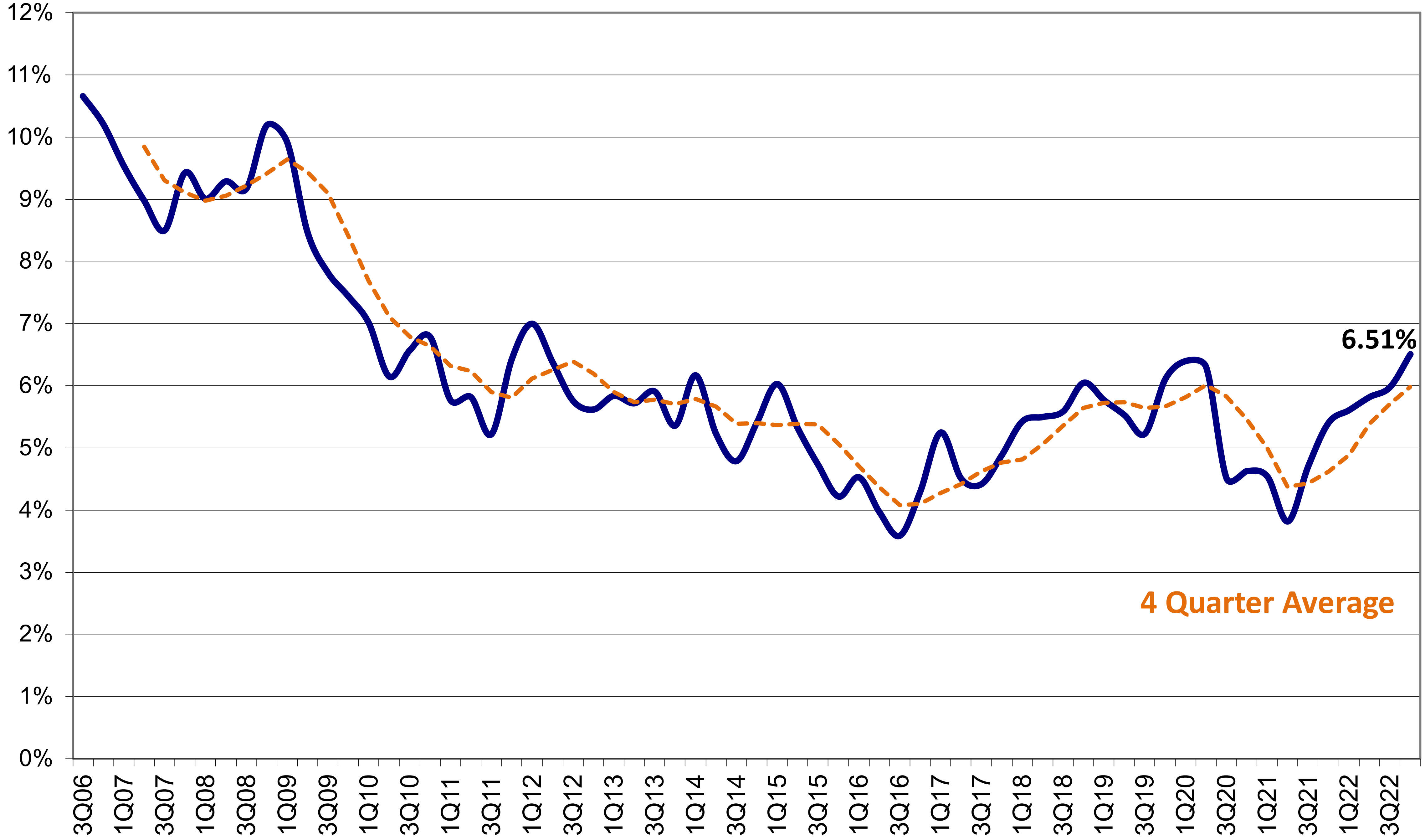




Avg. Net Market Rents vs. Affordable Rents (60% & 80%)- YOC 2015+
2-Bedroom/2-Bathroom
$2,600
$2,500
$2,400
$2,300
$2,200
$2,100
$2,000
$1,900
$1,800
$1,700
$1,600
$1,500
$1,400
$1,300
$1,200
$1,100
2017.1
2017.2
2017.3
2017.4
2018.1
2018.2
2018.3
2018.4
2019.1
2019.2
2019.3
2019.4
2020.1
2020.2
2020.3
2020.4
2021.1
2021.2
2021.3
2021.4
2022.1
2022.2
2022.3
2022.4
Market
60% AMI
80% AMI

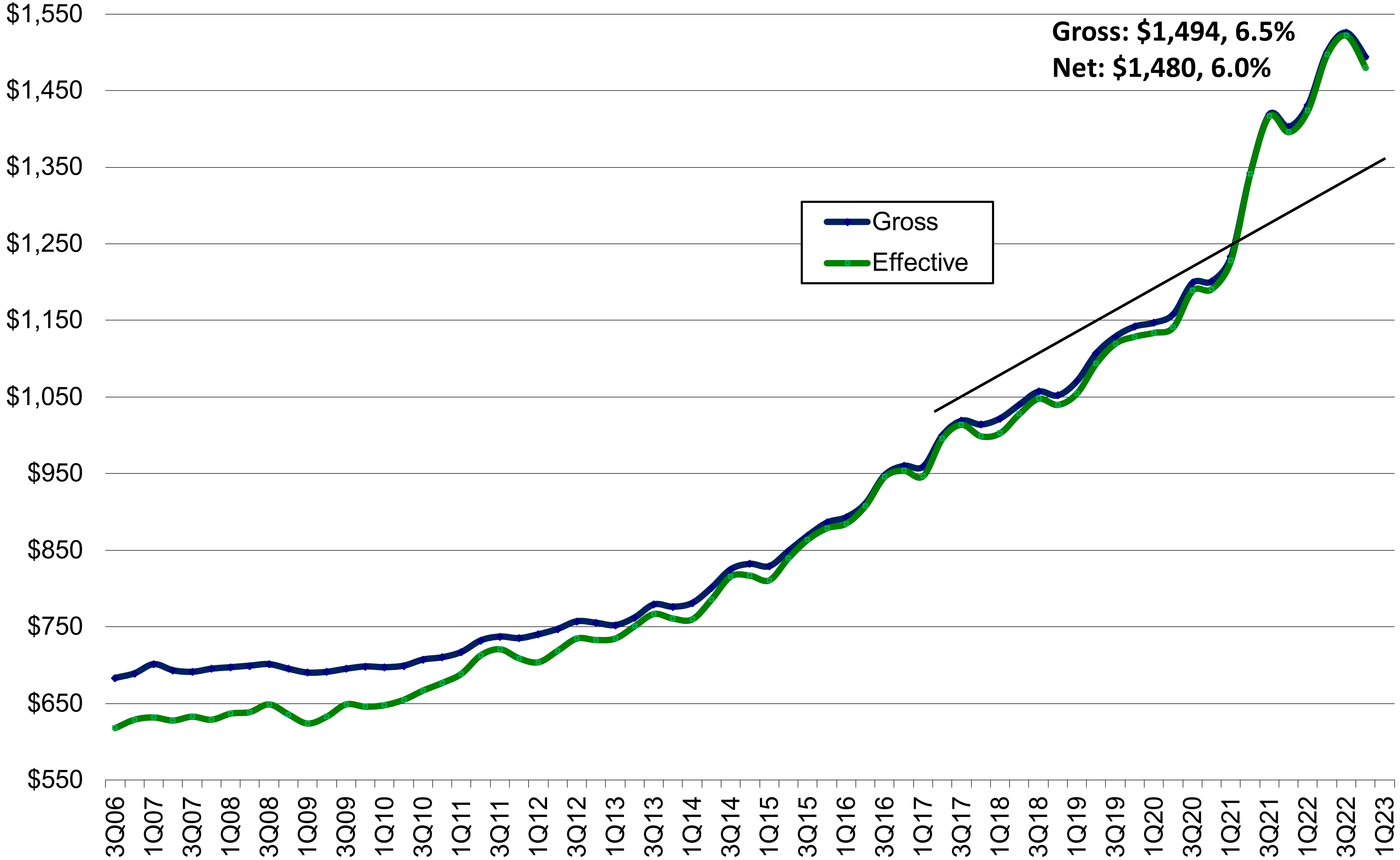
Colorado Springs

Vacancy Rate, Colo Springs

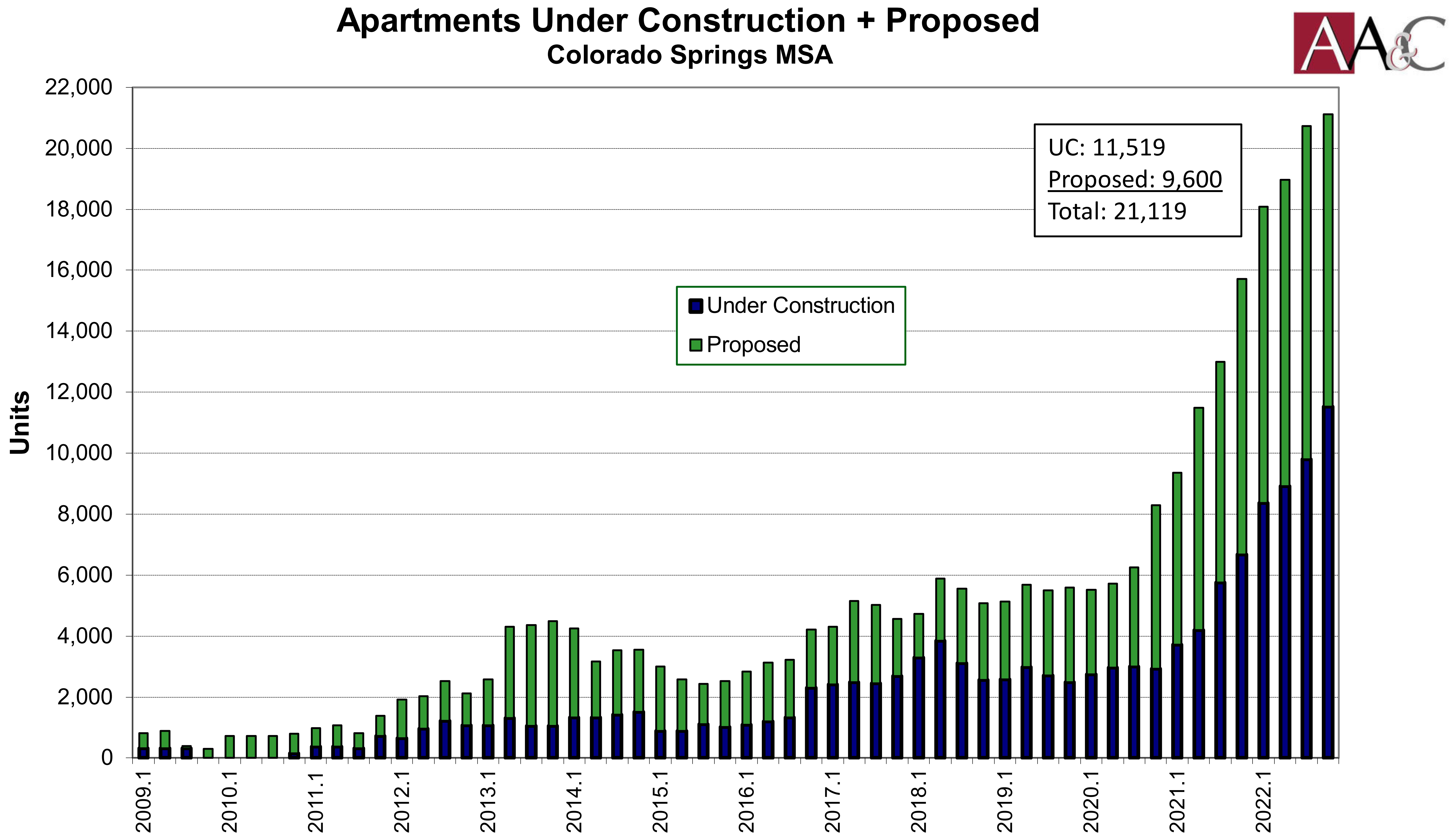


Data Source: Apartment Insights, Denver, CO

Gross and Effective Rents, Colo Spgs

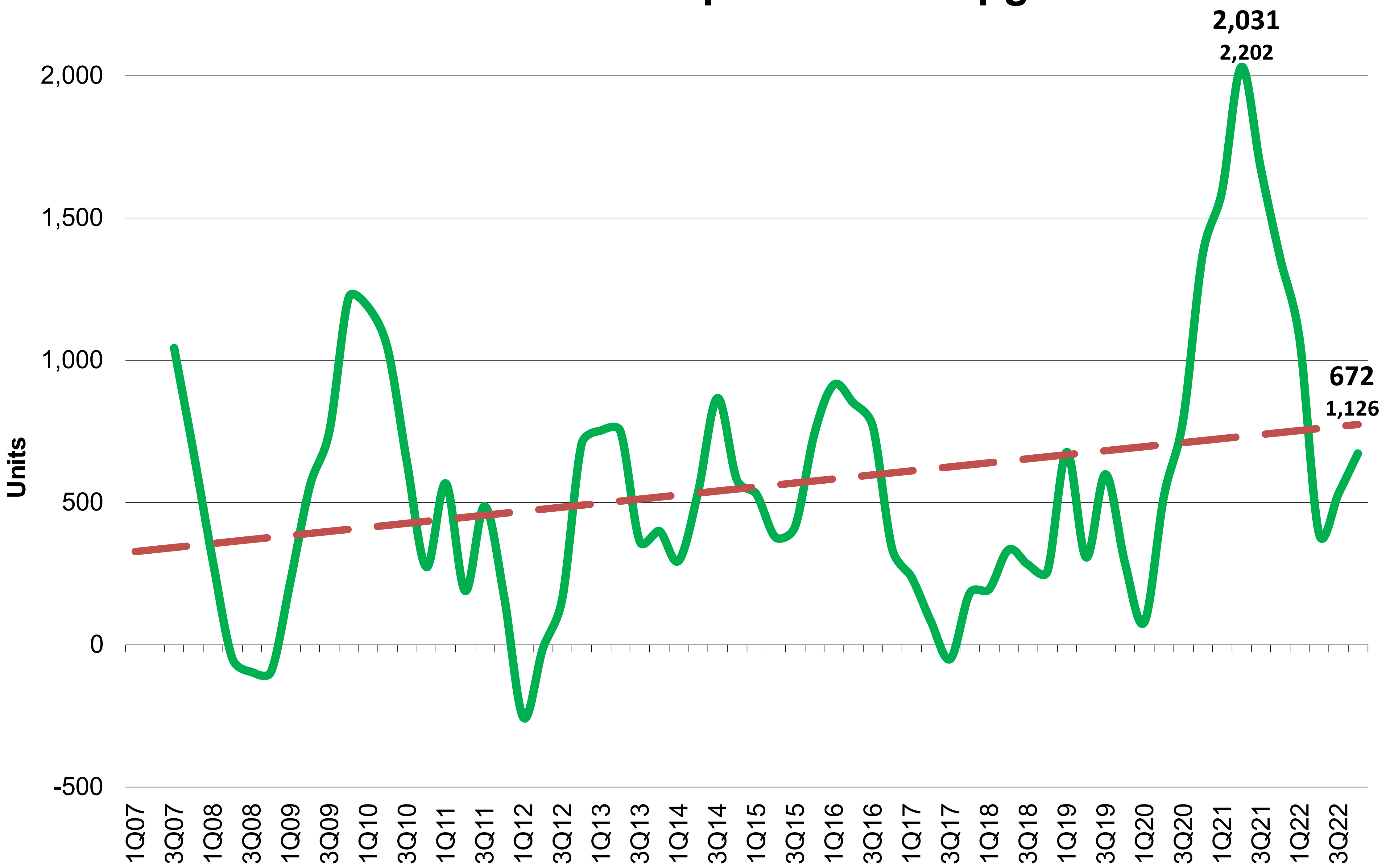


Data Source: Apartment Insights, Denver, CO



Apartments Under Construction + Proposed
Colorado Springs MSA
UC: 11,519
Proposed: 9,600
Total: 21,119
Under Construction
Proposed
Units
22,000
20,000
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
2009.1
2010.1
2011.1
2012.1
2013.1
2014.1
2015.1
2016.1
2017.1
2018.1
2019.1
2020.1
2021.1
2022.1

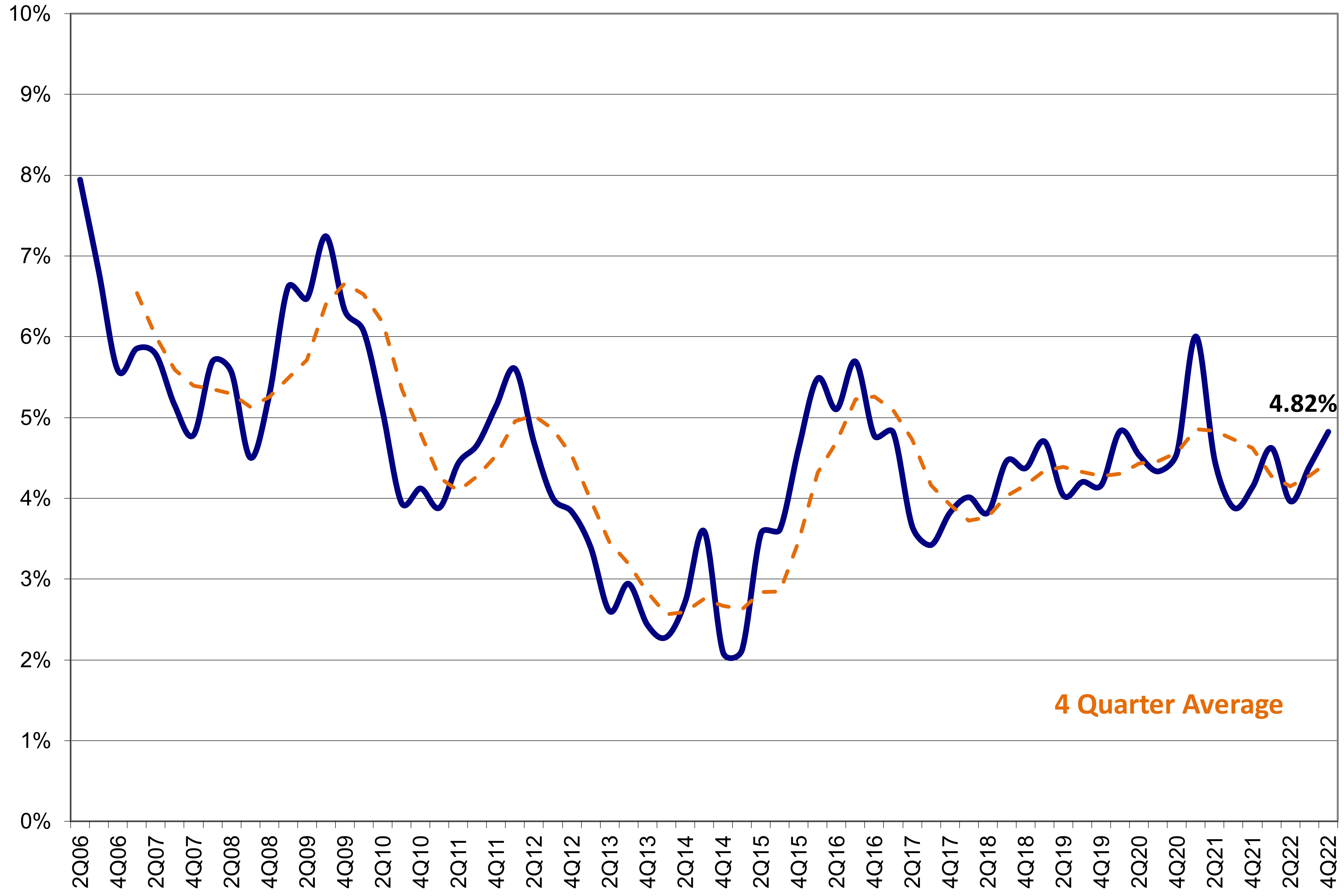
Four Quarter Absorption - Colo Spgs MSA



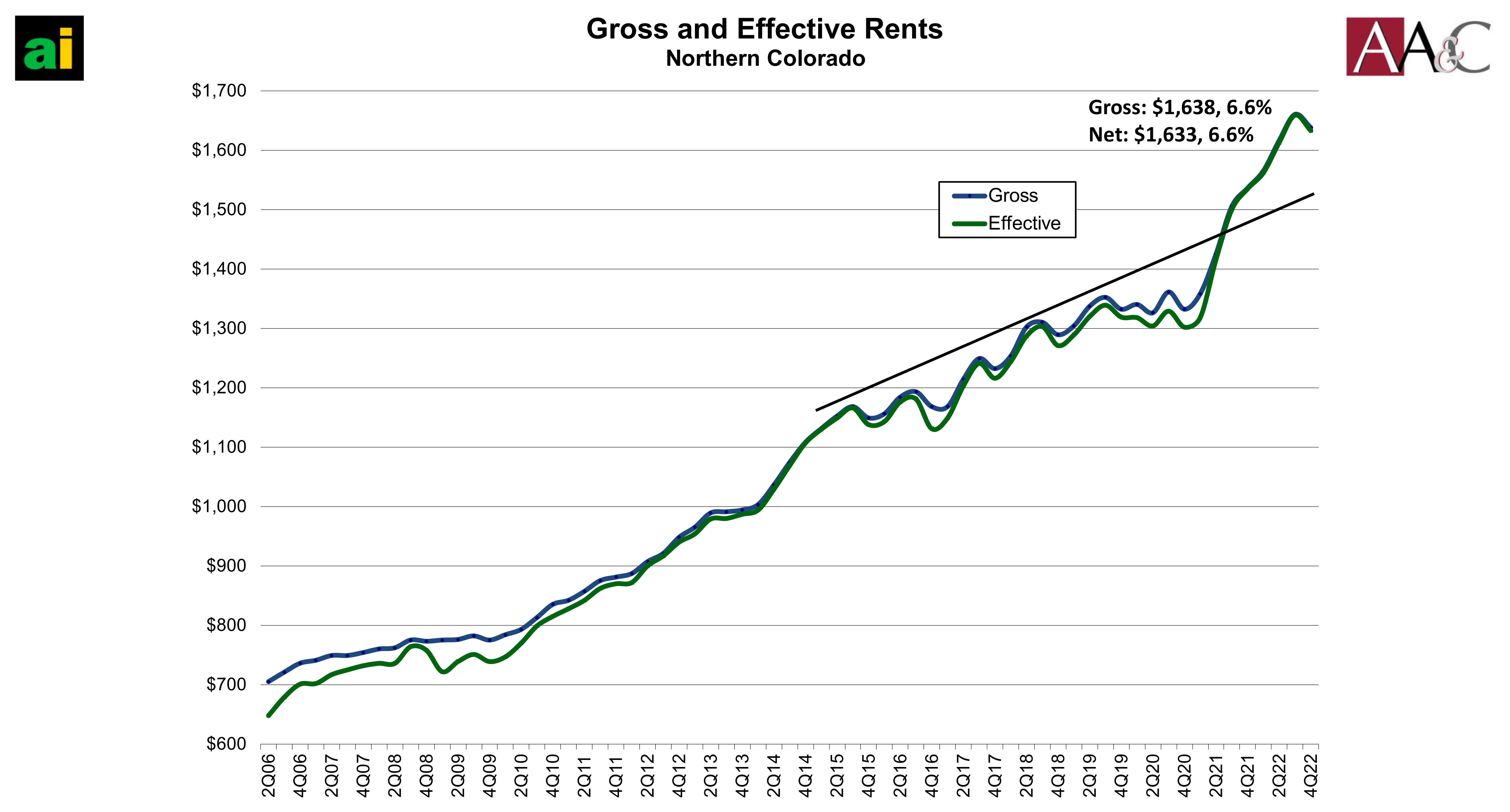
Data Source: Apartment Insights, Denver, CO


Northern Colorado

Stabilized Vacancy - Ft Collins/Greeley



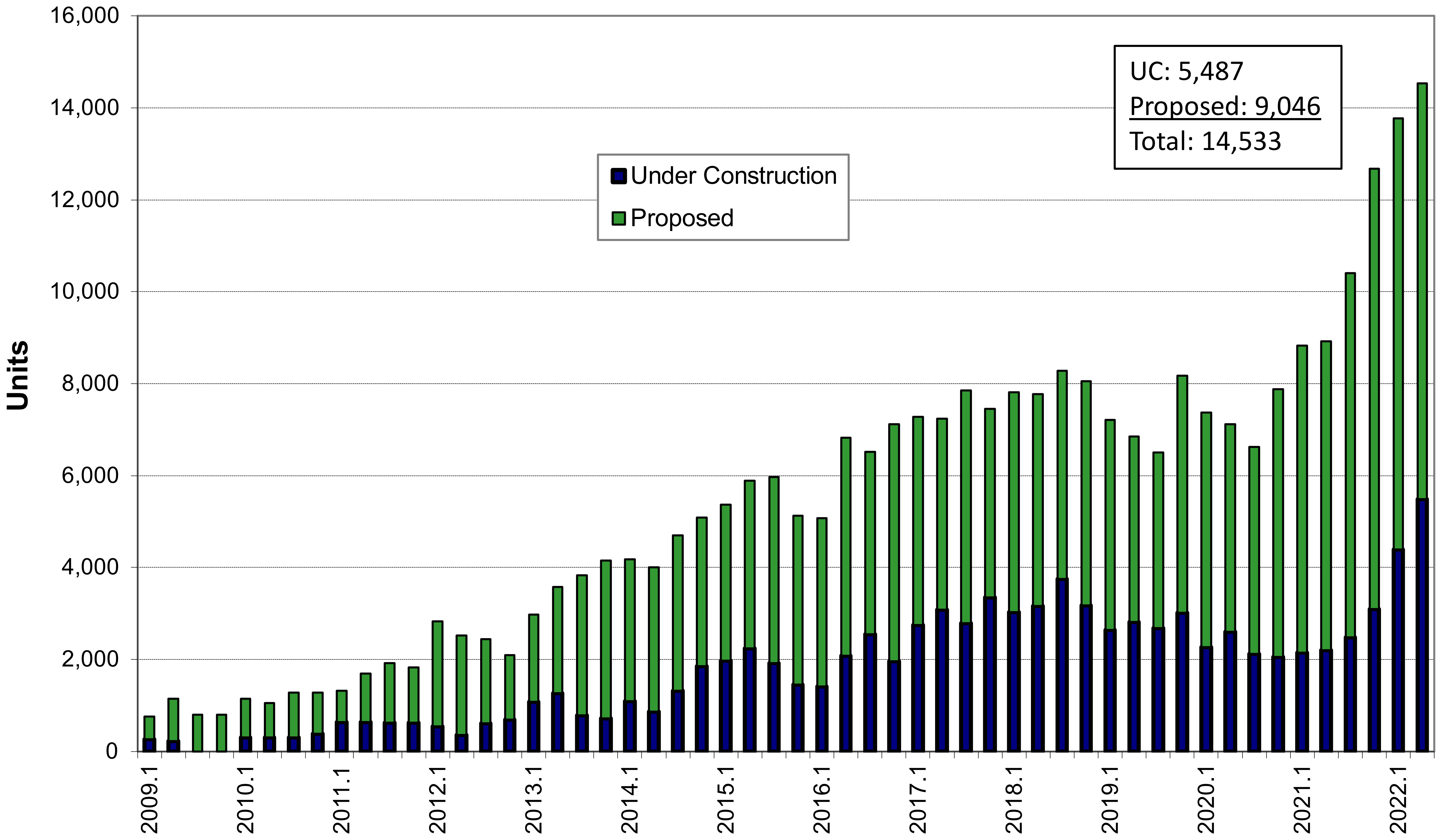
Source: Apartment Insights, Denver, CO



Data Source: Apartment Insights, Denver, CO

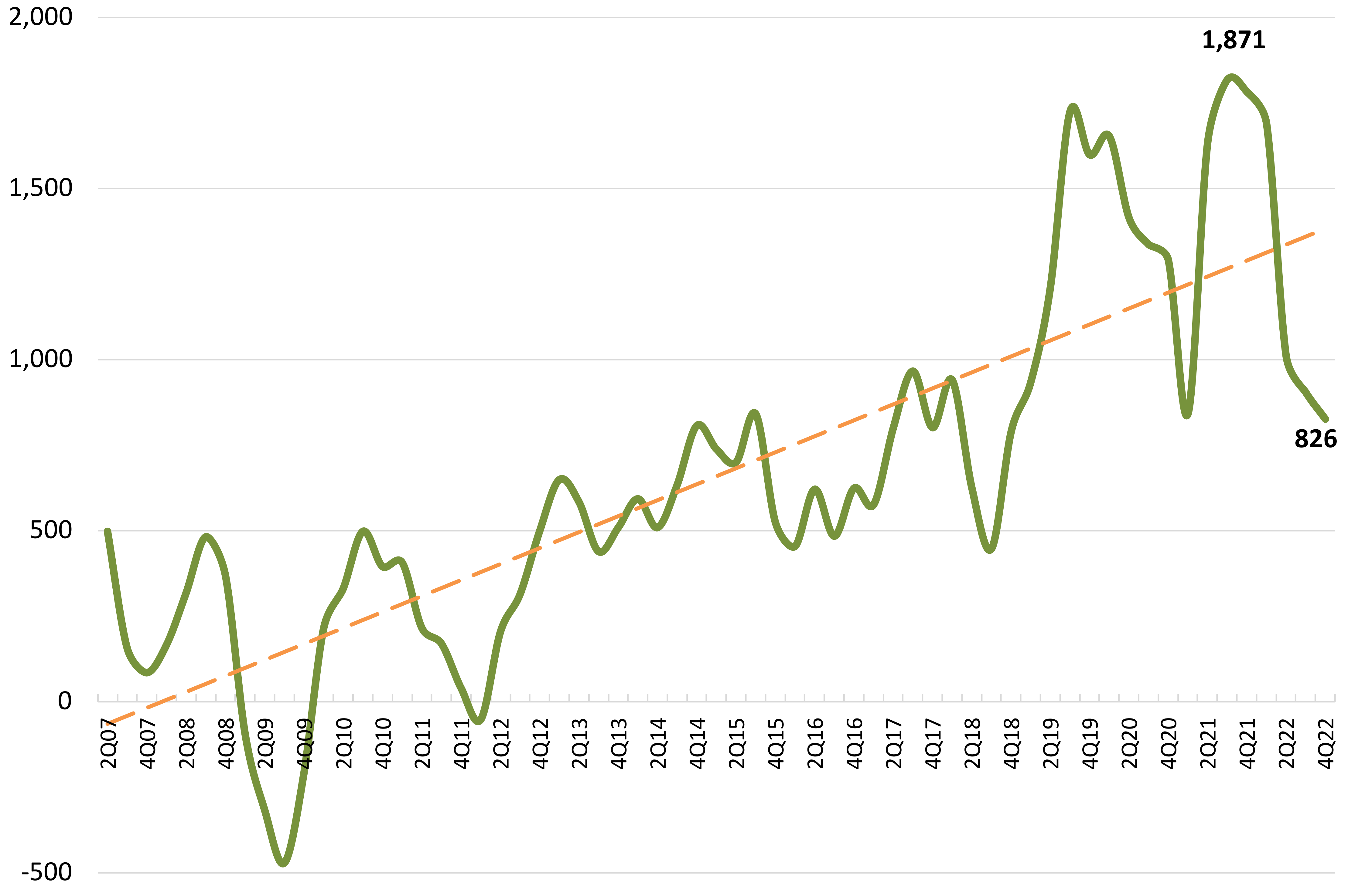
Apartments Under Construction + Proposed

Northern Colorado

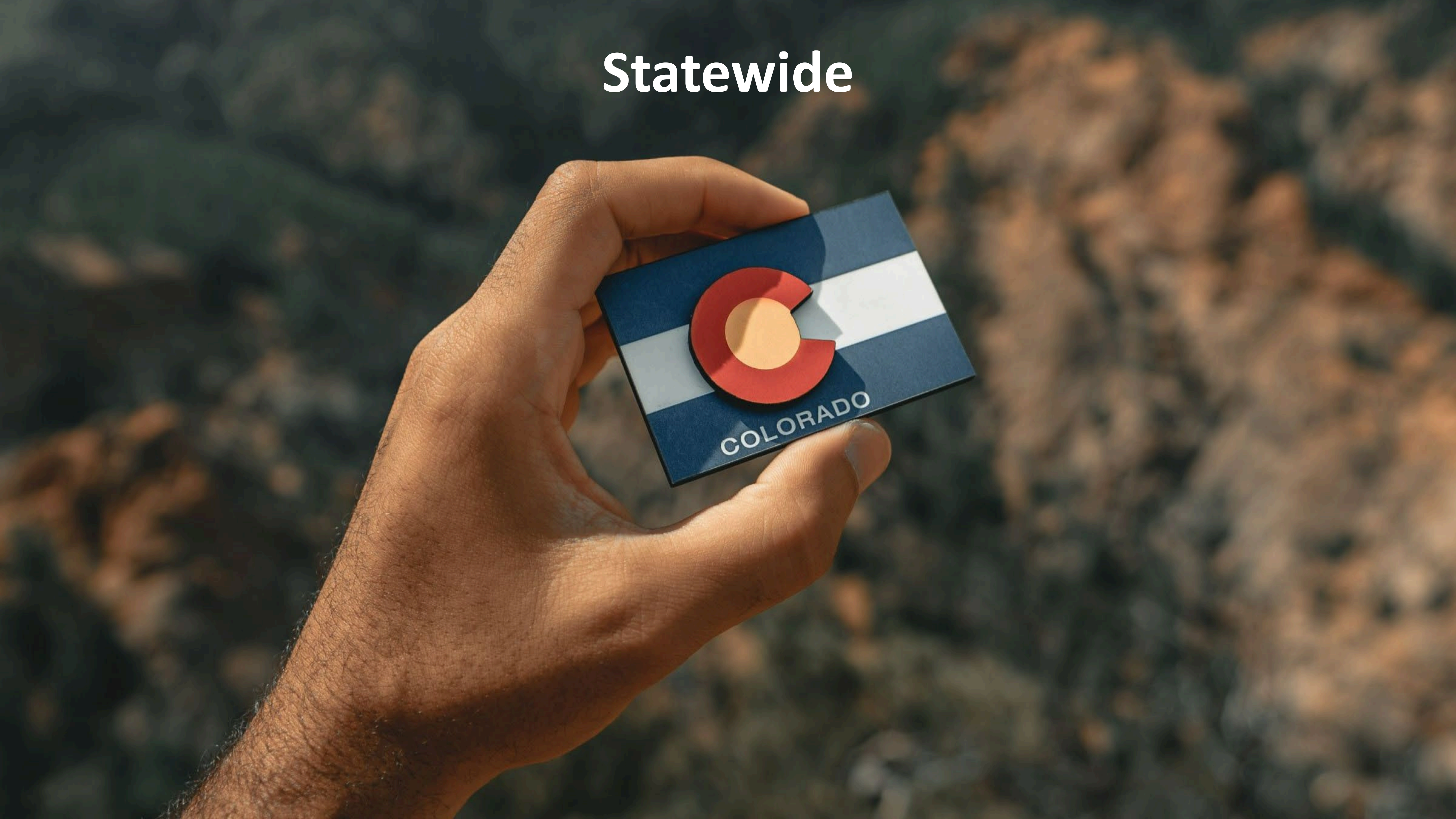


Prepared by Apartment Appraisers & Consultants and Apartment Insights

Four Quarter Absorption - Fort Collins/Loveland MSA



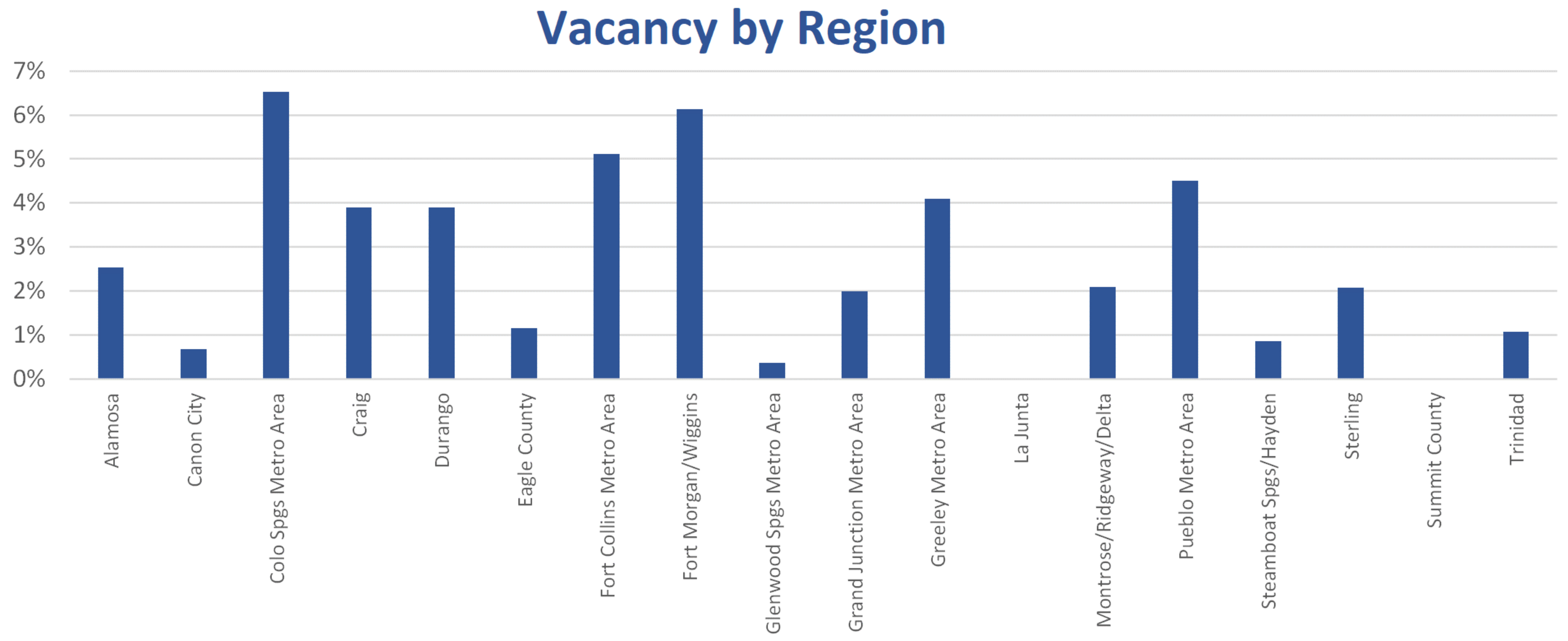
Statewide



Statewide MF Survey

- Sponsored by CHFA and researched/authored by 1876 Analytics (an affiliate of AA&C).
- Covers 18 geographies, including Northern Colorado and Colorado Springs, but EXCLUDES the Denver Metro Area.
- Issued quarterly, free of charge, available on CHFA's website - 1Q through 4Q 2022
  - No year-over-year data, yet.
- Highlights
  - Statewide vacancy (5.5% in 4Q 2022), which is heavily driven by the large Front Range markets, was up 40 basis points from the previous quarter.
  - Weighted average vacancy for Non-Metro Areas was 2.3%, down 30 bps QoQ.
  - **Weighted average vacancy for Mountain/Resort Areas was 1.4%, up 10 bps QoQ.**
  - Statewide both the Average Rent and the Median Rent decreased QoQ.
    - Average Rent in 4Q 2022 was $1,500 per month, down $22 (1.5%) QoQ.
    - 4Q 2022 Median Rent was also $1,500 per month, down $4 (0.3%) QoQ.

Statewide MF Survey



Statewide MF Survey