

CENTRAL DENVER MARKET REPORT

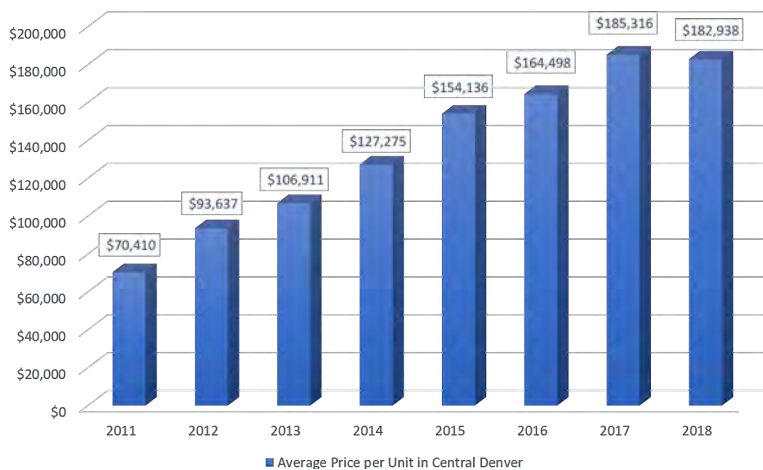
SALE PRICES PLATEAU FOR FIRST TIME SINCE 2011

BY GREG JOHNSON

After six years of steady growth, in 2018 the Central Denver apartment market flattened out. Nearly 1,000 units were sold in 34 transactions, and the average price per unit was \$182,938, a slight decrease from 2017's average of \$185,316. We calculate the average price per unit annually from Central Denver transactions between 10-110 units, excluding sales of recently constructed projects.

Higher interest rates, more conservative lending parameters, and a plateau in rent growth contributed to the slow-down in apartment sale prices. There continues to be a healthy level of investor demand, but tougher lending criteria has dampened enthusiasm for available properties. While established portfolio owners bought the majority of buildings sold in 2018, nearly one-third of the transactions were completed by investors new to the Central Denver market.

Average Price per Unit in Central Denver



Owners and brokers that put properties on the market with unrealistic list prices struggled in 2018. Those properties sat on the market longer, and price reductions followed. Both investors and lenders were reluctant to engage in transactions that were based on lofty pro forma financials. Stalled rent growth and increased operating expenses have made it irrational to bet on future market conditions to justify marginal investments.

For the second year in a row, we saw an unusually-low number of transactions. There were only 34 sales of larger apartment buildings (10+ units in size) across Central Denver in 2018. Our market has not experienced such a low volume of sales since the aftermath of the 2008 financial crisis.

Number of Transactions (10+ Units)



As apartment buildings become more difficult to sell, we are seeing more brokers openly market their listings, and there seems to be fewer properties held as "pocket listings."

We continue to closely watch the vacancy reports. High levels of construction (12,324 units completed in 2018) are pushing vacancy rates higher, but so far it has had minimal impact on existing Central Denver buildings. In the 4th Quarter report released in January by DU and the Apartment Association of Metro Denver, the metro-wide vacancy rate was 5.8%. For Central Denver, the vacancy rate is a staggering 7.5% due to construction in the neighborhood. However, within the details of the report, we found the vacancy rate for buildings between 9-50 units (a size too small to include new construction projects) was only 3.6%. This is the same figure reported a year ago - - meaning it has not worsened in small buildings. Fortunately, high vacancy has been limited to the new construction that has not yet completed initial lease-up.

Looking ahead into 2019, there are several dynamics that could affect the speed and strength of our market. At the end of 2018 we saw interest rates dip back down below 4.75%, and new construction continued to steam ahead. How these two crucial factors trend in 2019 will be key determinants to our market this year.

Central Denver Sales 10/1/18 - 12/31/18



1412 Steele St.
Sold: \$13,250,000
\$265,000/Unit



1234 York St.
Sold: \$1,200,000
\$200,000/Unit



2805 E. 16th Ave.
Sold: \$2,430,276
\$186,944/Unit



1432 Pennsylvania St.
Sold: \$2,375,000
\$296,875/Unit



1247 Clarkson St.
Sold: \$930,000
\$155,000/Unit



1263 Clarkson St.
Sold: \$875,000
\$125,000/Unit



777 Ash St.
Sold: \$5,150,000
\$190,741/Unit



1530 Pearl St.
Sold: \$2,104,000
\$150,286/Unit



1285 Clarkson St.
Sold: \$4,400,000
\$176,000/Unit



960 Pearl St.
Sold: \$2,900,000
\$181,250/Unit



1750 Pearl St.
Sold: \$2,175,000
\$167,308/Unit



611 E. 11th Ave.
Sold: \$4,290,000
\$158,889/Unit

Source: CoStar, 5+ units. Does not include all central Denver sales. Not all Sales brokered by Calibrate RE.



1115 COLORADO BOULEVARD
SOLD: \$1,570,000

8 UNITS
\$196,250/UNIT



Greg Johnson & Conner Piretti
303.482.2828



56951 E. COLFAX AVENUE
SOLD: \$1,700,000
CAP RATE: 6.4%

SOLD

DOLLAR GENERAL

Now Hiring!
DOLLAR GENERAL

Now Open!
DOLLAR GENERAL

HASSLE FREE
\$108,870 NOI



Kyle Malnati
303.358.4250



CLIENT CORNER: JIM HOCKENSMITH

BY KYLE MALNATI

Most of our clients invest in real estate so that they can experience a fulfilling retirement filled with relaxation, time with family, travel, and other lifelong dreams. We hope that many of our clients can experience retirement at a relatively young age.

You may recognize our client, Jim, from a 2016 newsletter as we shared his story titled, "Thank You for Helping Me Retire." Jim worked in the aerospace industry for 30+ years. He was smart with his financial resources throughout his career as he invested his savings into apartment buildings that he managed on nights and weekends.

Jim's story left off at his retirement party where we were fortunate to celebrate his career along with family, friends, and former coworkers. We helped Jim with three different commercial real estate transactions over a decade, and he honored us by recognizing that our efforts helped him retire early.

Fast forward to this past year, Jim came to Calibrate expressing some frustration that one of his apartment complexes was causing him more management headaches than usual. We shared the success of a similar retired, multifamily client in Denver that we helped buy a newly constructed Dollar General near Alamosa, CO. After hearing that story, Jim decided to sell his 18-unit building in favor of a less management intensive investment property.

Jim's 1031 Exchange began in December 2018, and we hustled throughout the holidays to find two Dollar General net leased investment properties: one in Strasburg, Colorado (above) and the other in Illinois near Jim's extended family. Both deals closed in January 2019, right around the expiration of his 45-day Identification Deadline.

At Calibrate Real Estate, we exist to help people create generational wealth through real estate; that's our mission! Whether it takes us into Capitol Hill, the Eastern plains, or on an airplane to Chicago, we're here to accomplish YOUR investment objectives.



OUR CURRENT LISTINGS AND RECENT SALES HIGHLIGHTS



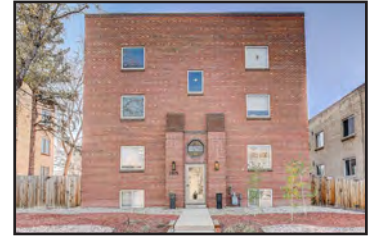
1453 Williams St.
List Price: \$1,365,000
\$170,625/Unit



1137 Columbine St.
List Price: \$3,450,000
UNDER CONTRACT



1139 Clarkson St.
List Price: \$940,000
UNDER CONTRACT



1115 Colorado Blvd.
Sold: \$1,570,000
\$196,250/Unit



Strasburg, CO
Sold: \$1,700,000
Absolute NNN



143 W. Powers Cir.
Sold: \$2,930,000
\$127,391/Unit



309 Zeta St.
Sold: \$1,035,000
\$207,000/Unit



1432 Pennsylvania St.
Sold: \$2,375,000
\$296,875/Unit



1021 Ogden St.
Sold: \$860,000
\$143,333/Unit



1312 York St.
Sold: \$732,500
\$244,167/Unit



4426 - 4436 W. 39th Ave.
Sold: \$1,275,000
\$318,750/Unit



1331 Marion St.
Sold: \$798,000
\$266,000/Unit



Grand Lake Lots
Sold: \$1,868,000
Land Development



1466 Detroit St.
Sold: \$1,015,000
\$253,750/Unit



1218 Washington St.
Sold: \$1,775,000
\$221,875/Unit



South Fork, CO
Sold: \$1,500,000
Absolute NNN



2035 S. Josephine St.
Sold: \$6,850,000
\$171,250/Unit



2015 E. 12th Ave.
Sold: \$813,000
\$271,000/Unit



1614 Lafayette St.
Sold: \$2,050,000
Office Building



1325 Madison St.
Sold: \$2,475,000
\$206,250/Unit



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