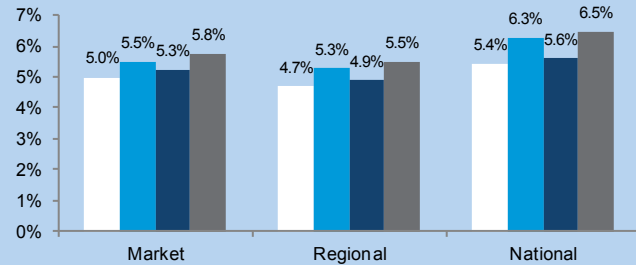


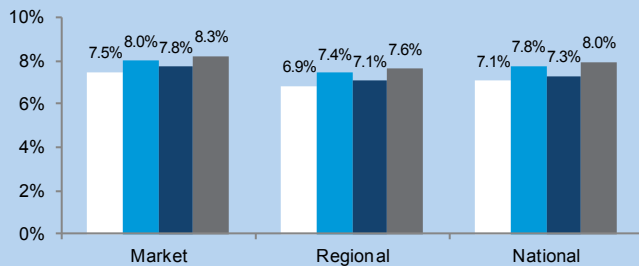


## Multifamily Snapshot

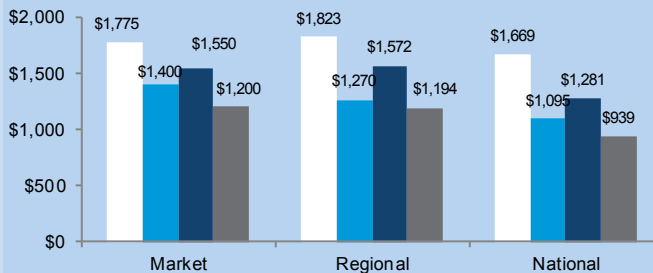
### GOING IN CAP RATES (%)



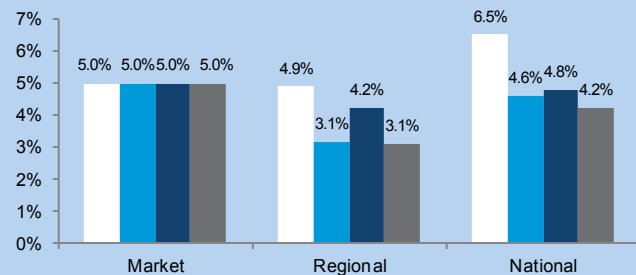
### DISCOUNT RATES (%)



### MARKET RENT (\$/UNIT)



### VACANCY RATE (%)



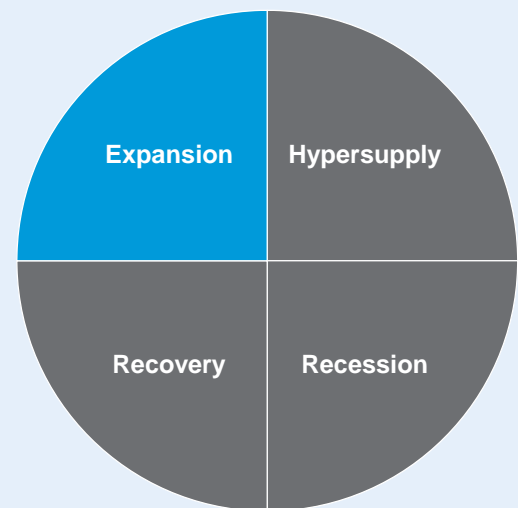
#### Legend

- Urban Multifamily Class A
- Suburban Multifamily Class A
- Urban Multifamily Class B
- Suburban Multifamily Class B

## Market Commentary

The apartment market remains strong with multiple transactions during the first half of 2015. Transaction volume is expected to remain steady throughout the remainder of 2015. High sales volumes and record sale prices have had an impact on the re-assessment of multifamily properties for real estate taxes payable in 2016, and real estate taxes could increase as much as 20%. The core areas of the metropolitan market are the US-36 corridor, downtown Denver, and southeast I-25 corridor.

### MARKET CYCLE



#### Market Cycle: Expansion Stage 2

- Moderate/High New Construction
- Med/High Rental Rate Growth
- Moderate/High Employment Growth
- Decreasing Vacancy Rates
- High Absorption

Capitalization rates are location-driven, particularly for 1970's properties, while 1980's and 1990's properties are generally considered value-add since they have desirable features such as separate gas metering and washer/dryer hook-ups. Marketing times are typically less than 2 months. Despite predictions over the past year that rental rates would stabilize, the overall Denver metro area has seen continuing record rental increases year-over-year across all property classes.



# 2015 Mid-Year VIEWPOINT

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## Denver, CO | Multifamily

### DENVER 12 MONTH FORECASTS

Categories	Urban Multifamily Class A	Urban Multifamily Class B	Suburban Multifamily Class A	Suburban Multifamily Class
Going In Cap Rate	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change
Discount Rate	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change
Market Rent Change (%)	3.00%	3.00%	3.00%	3.00%
Expense Change (%)	3.00%	3.00%	3.00%	3.00%
Absorption (Units)	3,000	-	2,000	-
Construction (Units)	10,000			
Years to Balance	2	In Balance	1	In Balance

### AVERAGE ANNUAL CHANGE IN VALUE

Time	Urban Multifamily Class A	Urban Multifamily Class B	Suburban Multifamily Class A	Suburban Multifamily Class
Previous 36 Months	Increase 4%+	Increase 4%+	Increase 4%+	Increase 4%+
Previous 12 Months	Increase 4%+	Increase 4%+	Increase 4%+	Increase 4%+
Future 12 Months	Increase 2% - 3.9%	Increase 2% - 3.9%	Increase 2% - 3.9%	Increase 2% - 3.9%
Future 36 Months	Increase 2% - 3.9%	Increase 2% - 3.9%	Increase 2% - 3.9%	Increase 2% - 3.9%

### Market Commentary (continued)

New construction remains strong with 7,588 new units opened in 2014 alone and 1,678 permits pulled in the first quarter of 2015. Notable projects include The Confluence, a 228-unit 34-story luxury tower adjacent to the CBD and Country Club Towers 2 & 3, with two 32-story towers containing a total of 558 units in Denver's highly desirable Washington Park neighborhood.

#### TOP SEVEN CAP RATE FACTORS

- 1 Property income growth
- 2 Local economy, job growth, unemployment
- 3 Supply/demand
- 4 Interest rates
- 5 Availability of financing
- 6 Risk premium of private real estate
- 7 National economic conditions/GDP growth

### About IRR

Integra Realty Resources (IRR) is the largest independent commercial real estate valuation and consulting firm in North America, with over 200 MAI-designated members of the of the Appraisal Institute among over 900 professionals based in our 66 offices throughout the United States and the Caribbean. Founded in 1999, the firm specializes in real estate appraisals, feasibility and market studies, expert testimony, and related property consulting services across all local and national markets. Our valuation and counseling services span all commercial property types and locations, from individual properties to large portfolio assignments. For more information, visit [www.irr.com](http://www.irr.com) or [blog.irr.com](http://blog.irr.com).

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