

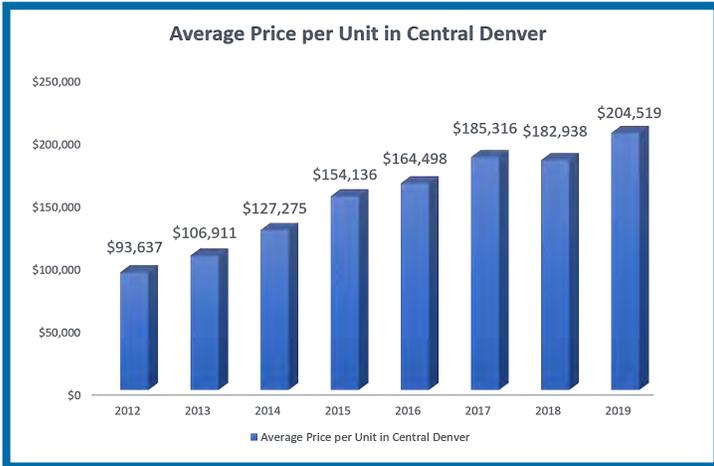
# CENTRAL DENVER MARKET REPORT

## DENVER SALES BREAK THROUGH A MAJOR MILESTONE

By: Greg Johnson

Six years after breaking the \$100,000/unit price point, Central Denver apartments averaged over \$204,000/unit in 2019. We calculate the average price per unit annually from Central Denver’s transactions between 10-100 units, excluding sales of recently constructed projects. The average price for the year is a 12% jump from 2018, and marks the first time that the average price surpassed \$200,000.

Falling interest rates, slower construction activity, strong rents and lower vacancy rates contributed to the increase in apartment sale prices. There continues to be a healthy level of investor demand both locally and from the West Coast states. Several first-time buyers from California and Chicago were introduced to the market, but the vast majority of Central Denver sales in 2019 were completed by investors that already had holdings in our neighborhoods.



Sales volume remained low for a third year, with only 31 transactions (10+ units) in Central Denver in 2019. As we see more owners handing over keys and operational responsibility to management companies, fewer buildings are coming to market.

Another factor in lower sales volume is the continued consolidation of ownership in our market. Large portfolio owners have tended to buy and hold, rather than buy and flip. Lower sales volume has become another contributing factor to rising prices.

Market fundamentals remain strong in Denver. The 4th Quarter Vacancy & Rent Report by the Apartment Association of Metro Denver contained lots of positive information when it was released last month. The metro-wide vacancy rate of 5.3% is the lowest 4th quarter figure in five years. Central Denver’s 4th quarter rate of 6.1% was the lowest in four years, despite several large construction projects that have not yet completed their initial lease-up.

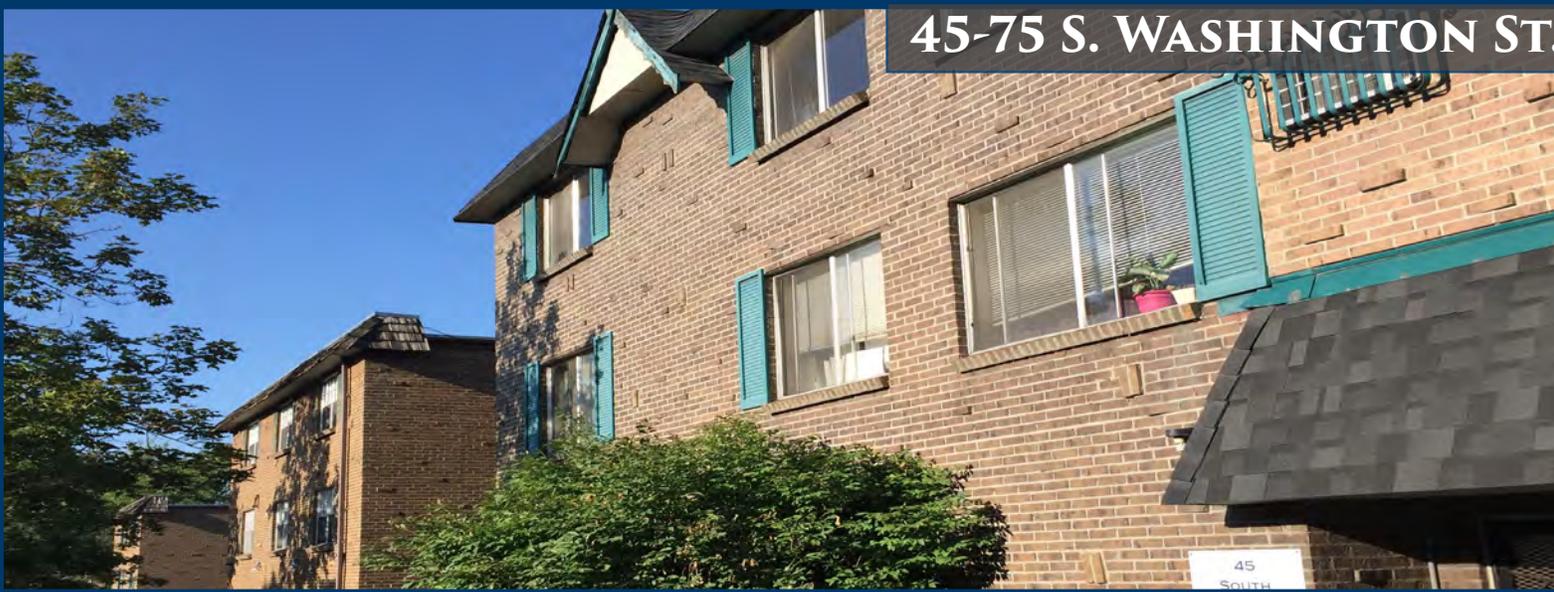
Central Denver’s vacancy rate for buildings between 9-50 units (a category most-reflective of buildings our clients own, and too small to include the large construction projects) was only 4.5%.



The pace of multi-family construction continues to be limited by available labor and materials. 10,000 units were completed in 2019, while nearly 11,000 net new renters were added to our market. Because demand outpaced supply, we saw the vacancy rate decline for the year.

Looking ahead to 2020, we expect low vacancy rates will lead to another bump in rents. Interest rates, which are 75 basis points lower than a year ago, will continue to boost prices. With our strong local economy expected to continue, it seems only a large national economic shift could slow down our market.





## PROPERTY TAXES: THE FIGHT TO GET IT RIGHT

By: Kyle Malnati

The turning of a New Year is a dramatic reminder that the holidays are over and the “tax man” cometh. Regardless of your political affiliation, we’ve never heard a wealthy, real estate investor brag about how much they get to pay in property taxes. Most of our clients understand the societal benefit of real estate taxes but still want to minimize their “fair share” within reason.

Tax notices are delivered by the Denver County Assessor every January, and if you have owned apartments for any length of time, you know that your valuation results from a Multiple Regression Analysis completed long before that tax notice arrives.

Many of our clients call, text, or email us “fighting mad” during May of an “odd year” (e.g. 2019) that their valuation went up so much in a two-year period. Like a UFC title fight, owners engage in a 3-round tussle with the Denver County Assessor’s Office. We thought it would be fun and helpful to provide you with results through the analogy of a 3-round MMA bout.

**Round 1 (May-June 2019):** Property Value Protest. 54 protests had to be submitted, in writing, on or before 6/3/2019. It felt a bit like a college term paper was due; there were a lot of early mornings, late nights, and weekends spent reviewing comparable sales to create the best argument for our clients. Then you wait until August to hear how you did.

**Round 2 (September 2019):** Appeal to the Board of Equalization (BOE). A few clients received a Notice of Determination in August stating that our written protest resulted in a successful valuation reduction. However, the vast majority wanted Calibrate to file an appeal which resulted in a hearing with the Board of Equalization. I presented 41 back-to-back hearings on 10/7/2019 lasting 7 hours at the Assessor’s Office. It was an efficient and productive day defending our clients’ position.

**Round 3 (November 2019):** Petition to the Colorado Board of Assessment Appeals (BAA). 29 Calibrate clients were left and 17 “tapped out” not wanting to expend any more time, energy, or money on the process. The remaining 12 decided to file a petition with the BAA. As of this writing, we have received confirmation that only 4 of 12 hearings have been set for June 2020! The remainder will be set for later in the year. This is obviously an endurance sport.

With such a lengthy process, why do our clients ask us to help them every two years? Because it works.

You could choose to focus on the 50:50 failure rate and throw your hands up in the air. The reality is that many of our clients were satisfied. The most dramatic example is a local family. They own 15 Denver apartment buildings and we protested many of their values. In one case, we believed that their 70 unit apartment complex was over-valued by \$2,789,100 and we were right! This reduction resulted in a tax savings of \$28,762.84 spread over the next two years!

Tale of the Tape:

54 protested to the Assessor (June 2019)

25 received reductions (August-September 2019)

12 appealed to Board of Assessment Appeals (November 2019)

17 denied and chose not to move forward (October 2019)



\*Owners of 15 properties, Our Happy Clients, David and Heidi, with Kyle during a past interview (story above).

# Central Denver Sales 10/1/2019 - 12/31/2019



2465-2475 S. Gaylord St.  
Sold: \$3,525,000  
\$207,353/Unit



2250 Clarkson St.  
Sold: \$2,615,000  
\$174,333/Unit



1485 Clayton St.  
Sold: \$3,000,000  
\$272,727/Unit



872-874 N Clarkson St.  
Sold: \$1,100,000  
\$183,333/Unit



2535-2545 E. Asbury Ave.  
Sold: \$3,600,000  
\$138,462/Unit



1225 Colorado Blvd.  
Sold: \$6,075,000  
\$202,500/Unit



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



1158-1168 Marion St.  
Sold: \$4,000,000  
\$333,333/Unit



290 S. Humboldt St.  
Sold: \$3,075,000  
\$256,250/Unit



1415 Pearl St.  
Sold: \$2,100,000  
\$175,000/Unit



85-95 S. Pearl St.  
Sold: \$1,950,000  
\$177,273/Unit



1100 E. 10th Ave.  
Sold: \$3,195,000  
\$199,688/Unit

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

**1145 SHERMAN STREET**  
**SOLD: \$6,000,000**

**48 UNITS**  
**\$125,000/UNIT**



Greg Johnson  
&  
Conner Piretti



Kyle Malnati



# OUR CURRENT LISTINGS AND RECENT SALES HIGHLIGHTS



1401 Fairfax St.  
List Price: \$2,325,000  
\$290,625/Unit



1119 Pearl St.  
List Price: \$2,000,000  
\$250,000/Unit



1240 Pearl St.  
List Price: \$1,200,000  
\$400,000/Unit



2477 Pierce St.  
List Price: \$2,500,000  
\$156,250/Unit



1772 & 1788 S. Acoma St.  
Total List Price: \$1,400,000  
\$90/SF (Land Value)



1532 York St.  
List Price: \$2,075,000  
\$172,917/Unit



1230 Winona Ct.  
List Price: \$1,900,000  
\$172,727/Unit



736 E 18th Ave.  
List Price: \$1,450,000  
\$161,111/Unit



1550 Milwaukee St.  
List Price: \$2,000,000  
UNDER CONTRACT



1361 York St.  
Sold: \$1,375,000  
\$171,875/Unit



1452 Detroit St.  
Sold: \$1,425,000  
\$285,000/Unit



100 Lincoln St.  
Sold: \$1,065,000  
\$266,250/Unit



1330 Logan St.  
Sold: \$549,000  
Office Building



234 Logan St.  
Sold: \$2,325,000  
\$193,750/Unit



160 S. Emerson St.  
Sold: \$2,200,000  
\$183,333/Unit



1130 Downing St.  
Sold: \$1,050,000  
\$262,500/Unit



2465 S. Gaylord St.  
Sold: \$3,525,000  
\$207,353/Unit



2195 S. Bannock St.  
Sold: \$412,500  
\$206,250/Unit



2247 E. 12th Ave.  
Sold: \$865,000  
\$283,333/Unit



1626 Logan St.  
Sold: \$7,850,000  
\$150,961/Unit



**Calibrate Real Estate, LLC**  
2425 S. Colorado Blvd.  
Suite 250  
Denver, CO 80222  
(303) 482-2828

