



Established in 2004, Your Castle Realty and Your Castle Real Estate has grown to become the largest independent and 6th largest real estate company on the Front Range according to the Denver Business Journal, with 650 agents in 6 offices. We are the 5th fastest growing real estate company in the country. We sold over \$2 billion of real estate in 2019 and 2020.

We have appeared in local and national publications including recent awards from the Denver Business Journal and Inc. 5000 (see below).

We are passionate about delivering exceptional consumer experiences. By offering a complete suite of real estate services, we ensure that we meet our client's every need. From sales and rentals, to commercial and new builds, we have experts in every field to guide you skillfully.

We believe that access to the best and most timely information can dramatically shape client decisions. No one does more research on the local housing market than Your Castle. Today's consumer needs a trusted resource that can separate signal from noise and help them navigate the complex process that real estate has become. With our extensive knowledge in every aspect of the field, and fueled by consumer research and insights, we are the go-to source for market information and education.

In 2018, 2019 and 2020 Your Castle Real Estate annually gave \$175,000 in charitable donations. We're a big sponsor for the Ronald McDonald House and Boys and Girls Clubs of Denver.

Awards and Honors...



America's
Fastest-Growing
Private Company

2014: #2951
2015: #2163
2016: #2313



Denver's
Fastest-Growing
Private Company

2014: #5
2016: #10
2018: #5



Top Ranked
Non-Franchise Firms
in Colorado 2019: #1

Top Ranked
Brokerage Firms in
Colorado by
Transactions
2019: #4



Best of Colorado 2017
Best Residential Real
Estate Agency

Best Commercial Real
Estate Agency

As Seen In...



The **Denver** income property market continues to appreciate. We had a good increase in prices in 2017 and 2018; appreciation was flat in 2019 and has bounced back in 2020! Inventory is incredibly low, which has resulted in a drop in MOI (Months of Inventory) and DOM (Days on Market). It is a strong seller's market. Why? Denver remains at low vacancy levels and rents are strong.

METRIC	PERFORMANCE (TTM)	OBSERVATIONS
Average Price per Unit	16Q4 v 15Q4: +17% 17Q4 v 16Q4: +13% 18Q4 v 17Q4: +14% 19Q4 v 18Q4: +0% 20Q4 v 19Q4: +17%	Prices dropped 30% between 2007 and 2009. By 2012, prices had recovered all of their losses. Prices increased another 118% between 2013-2019 (11.8% per year, on average). Prices / unit had been exceeding the increases in market rents (around 7% per year). Rents remain strong and price per unit remains so as well. It's possible the very low interest rates encouraged buyers to pay a bit more than they did last year.
Number Sold	16Q4 v 15Q4: -5% (454 v 477) 17Q4 v 16Q4: -6% (429 v 454) 18Q4 v 17Q4: -7% (397 v 429) 19Q4 v 18Q4: +7% (426 v 397) 20Q4 v 19Q4: -28% (305 v 397)	Volume declined in 2016-2018. Declines had been due to lack of inventory with margins that investors were looking for. In 2019 sales count picked up a little steam, but the momentum ceased by 2020.
Days on Market	16Q4 v 15Q4: +9% (88 v 81) 17Q4 v 16Q4: -22% (69 v 88) 18Q4 v 17Q4: 0% (69 v 69) 19Q4 v 18Q4: +12% (77 v 69) 20Q4 v 19Q4: -56% (34 v 77)	Marketing times experienced large reductions in 2016. They dropped again in 2018. DOM is much more volatile in the income sector than the residential market. Keep in mind that negative change in DOM is actually a good thing! Marketing time is at 27.5 days, near 13yr lows.
Months of Inventory (MOI)	01/04/20: 4.8 04/04/20: 3.3 07/04/20: 1.6 10/05/20: 2.3 01/04/21: 1.8	MOI increased just a bit last quarter but has once again severely tightened.

The **Colorado Springs** income property market continues to appreciate. We had a good increase in prices in 2017 and 2019; rising again in 2020. Inventory is incredibly low, which has resulted in low MOI (Months of Inventory) and DOM (Days on Market). It is a strong seller's market.

**Data for properties of 2+ units. Keep in mind that low data-point count allows for large swings in results.*

METRIC	PERFORMANCE (TTM)	OBSERVATIONS
Average Price per Unit	16Q4 v 15Q4: +11% 17Q4 v 16Q4: +19% 18Q4 v 17Q4: +15% 19Q4 v 18Q4: +12% 20Q4 v 19Q4: +13%	Rents remain strong and price per unit remains so as well. Price per unit continues to see double-digit appreciation.
Number Sold	16Q4 v 15Q4: 5% (208 v 199) 17Q4 v 16Q4: -2% (203 v 208) 18Q4 v 17Q4: 0% (204 v 203) 19Q4 v 18Q4: -26% (179 v 151) 20Q4 v 19Q4: +37% (207 v 151)	Declines had been due to lack of inventory with margins that investors were looking for. In 2020 there was a noticeable growth in sales. There's been a "run on investment properties" with interest rates being as low as they are.
Days on Market	16Q4 v 15Q4: -53% (46 v 98) 17Q4 v 16Q4: -39% (28 v 46) 18Q4 v 17Q4: -23% (22 v 28) 19Q4 v 18Q4: +79% (39 v 22) 20Q4 v 19Q4: -31% (27 vs 39)	Marketing times experienced large reductions for the past several years. 2019 saw an increase, but 2020 resumed the decreasing trend. DOM is much more volatile in the income sector than the residential market.
Months of Inventory (MOI)	07/04/20: 2.0 10/06/20: 1.7 01/04/21: 1.0	MOI for income properties is low and continues to decrease.

While cap rate is an important metric for RE investment financial performance, it's not the only one. The gap between the cap rate and your borrowing interest rate is more critical.

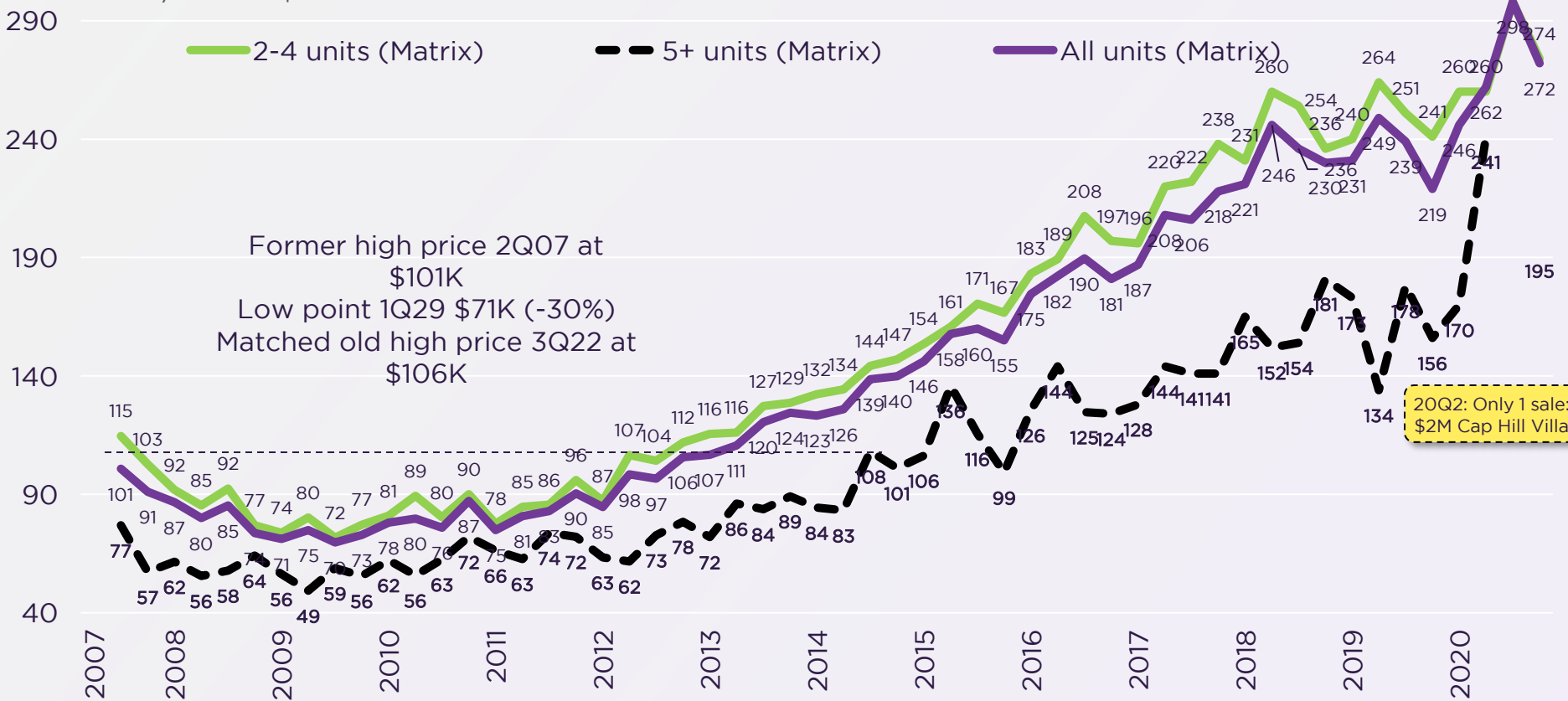
Both cases have the same assumptions for annual appreciation (5% per year), vacancy (5%), property management (8%) and maintenance reserves (8%). Based on actual investor purchases on the MLS. Buying at today's higher prices is more profitable than buying at 2006's lower prices.

	2021	2006	Change
Cap rate for rental 3 BR / 3 bath / 1 car town house in central Aurora	6.10%	7.40%	1.30% worse today
Borrow at	3.75%	7.00%	3.25% better today
	5/1 ARM for non-O/O	5/1 ARM for non-O/O	
Spread (Cap - Int Rate)	2.35%	0.40%	1.95% better today
Debt Cover Ratio	146%	123%	Today's loan is less risky
Year one cash-on-cash return	7.20%	5.20%	2.00% better today
5-year after-tax return (IRR)	18.3%	16.8%	1.5% better today

The overall average price per unit declined 30% between 2007 and 2009. Prices have been seasonally increasing ever since. All of the losses since 2007 were regained by 2012. 2013-2020 has average +11.8% annual growth in price per unit. We suspect the next five years will have 4-6% annual growth.

DENVER METRO - AVERAGE PRICE PER UNIT

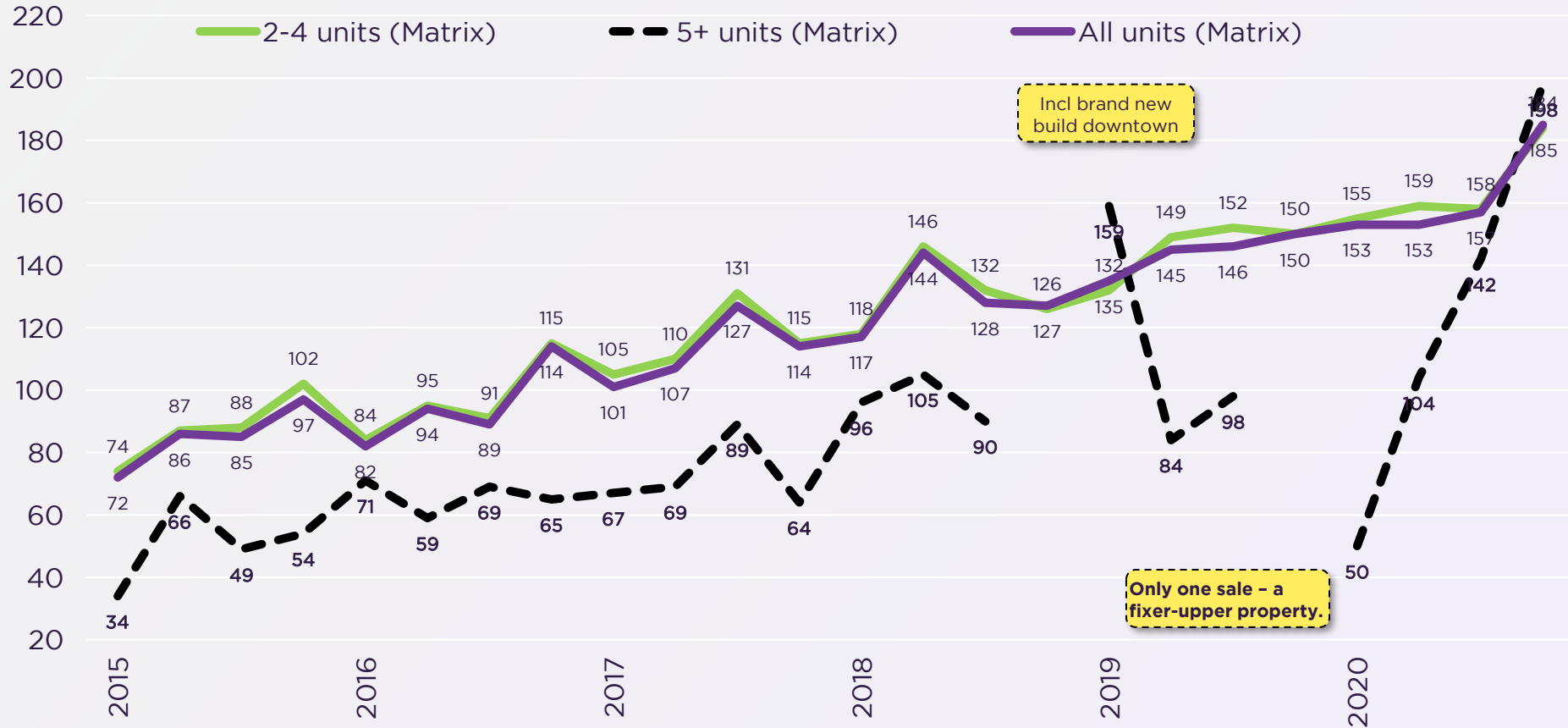
Sales Price / Unit in \$000



Prices have been gradually increasing for several years. Properties consisting of 2-4 units makes up over 90% of the income market. Gaps in the chart illustrate an absence of the respective property type in that time period.

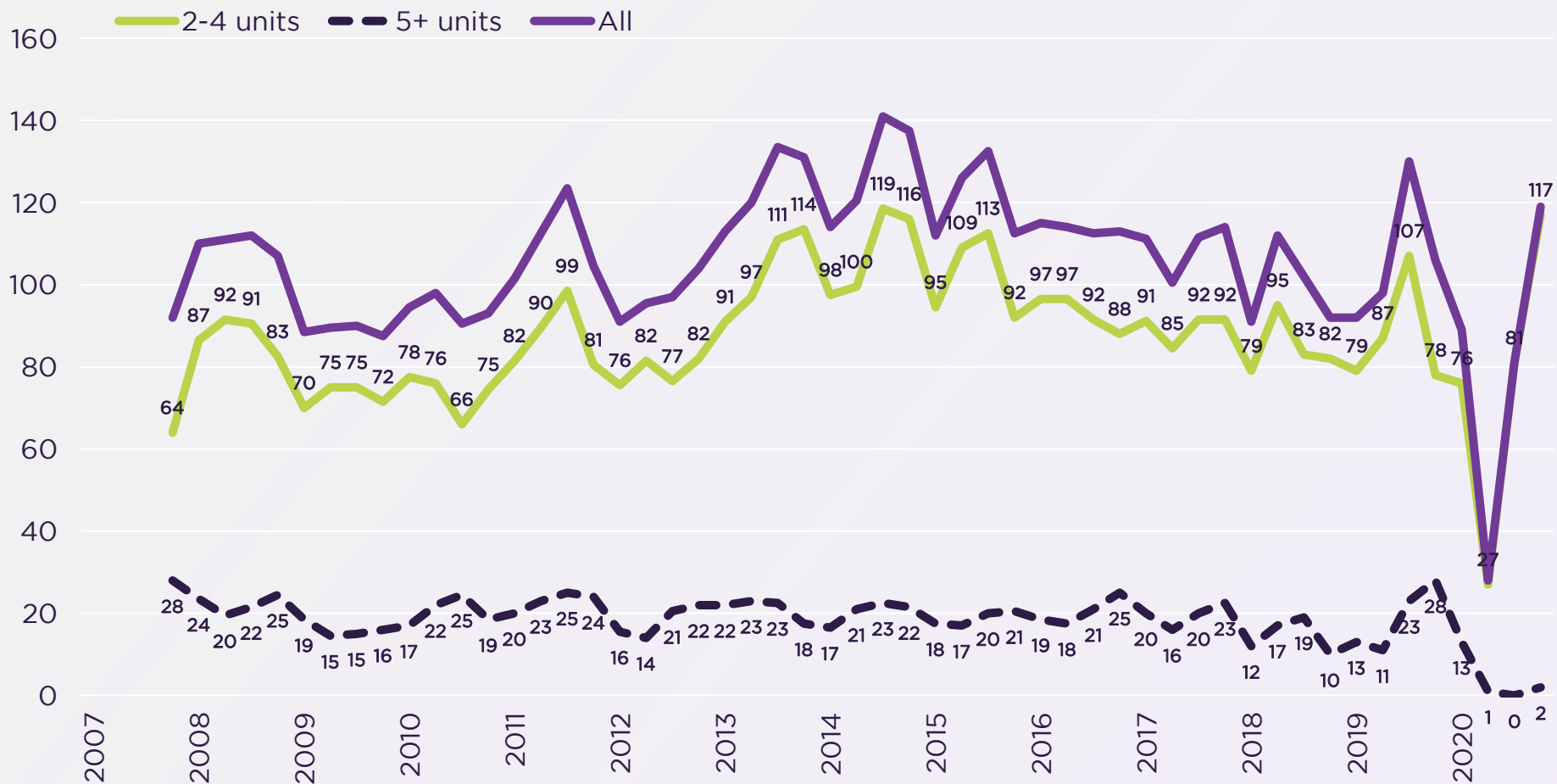
SOCO - AVERAGE PRICE PER UNIT

Sales Price / Unit in \$000



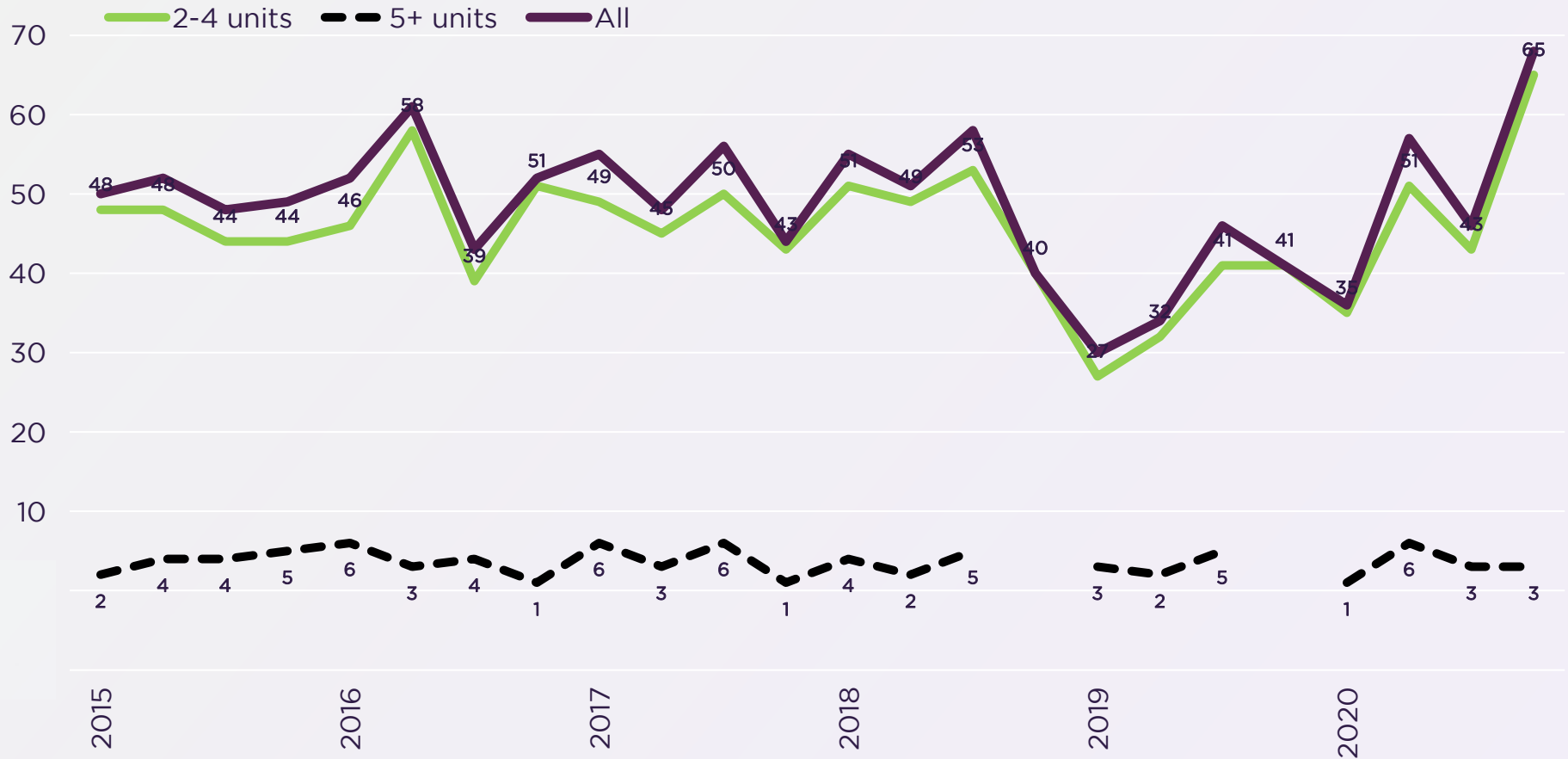
Income properties were also affected in the 2008 downturn. Volume was relatively stable from 2009 - 2012. Volume had slowly increased to pre-recession levels; but seeing some volatility over the last few quarters. 2019 and 2020 saw huge spikes in Q4; 20Q4 continued the upward trend. As for 5+ unit properties, only four sold on the MLS in 2020.

DENVER METRO - NUMBER UNITS SOLD



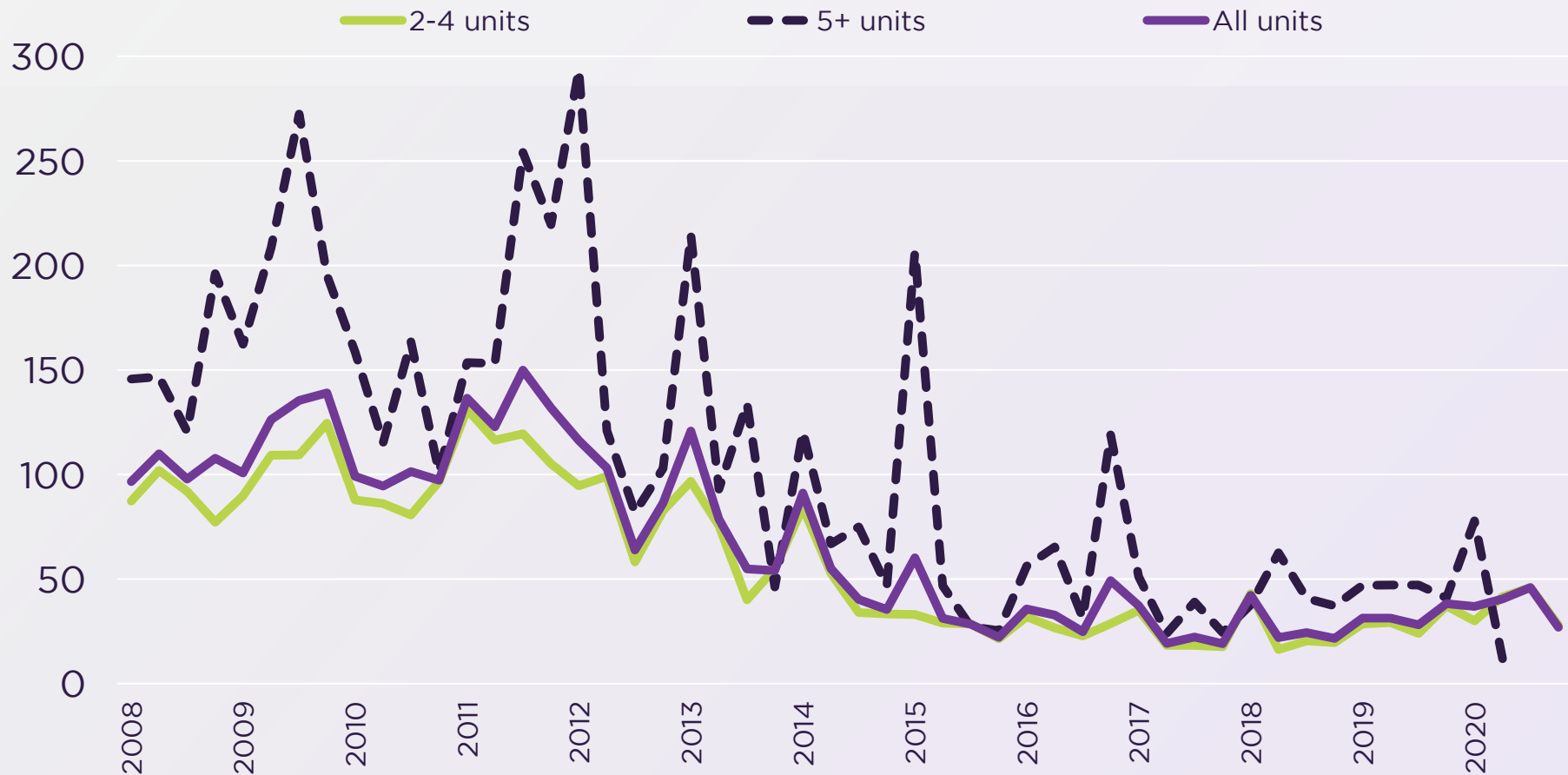
Sale count has been relatively steady over the past few years. There was a dip in 2019, but despite COVID, the 20Q4 saw the highest quarterly sales of the past three years.

SOCO - NUMBER UNITS SOLD



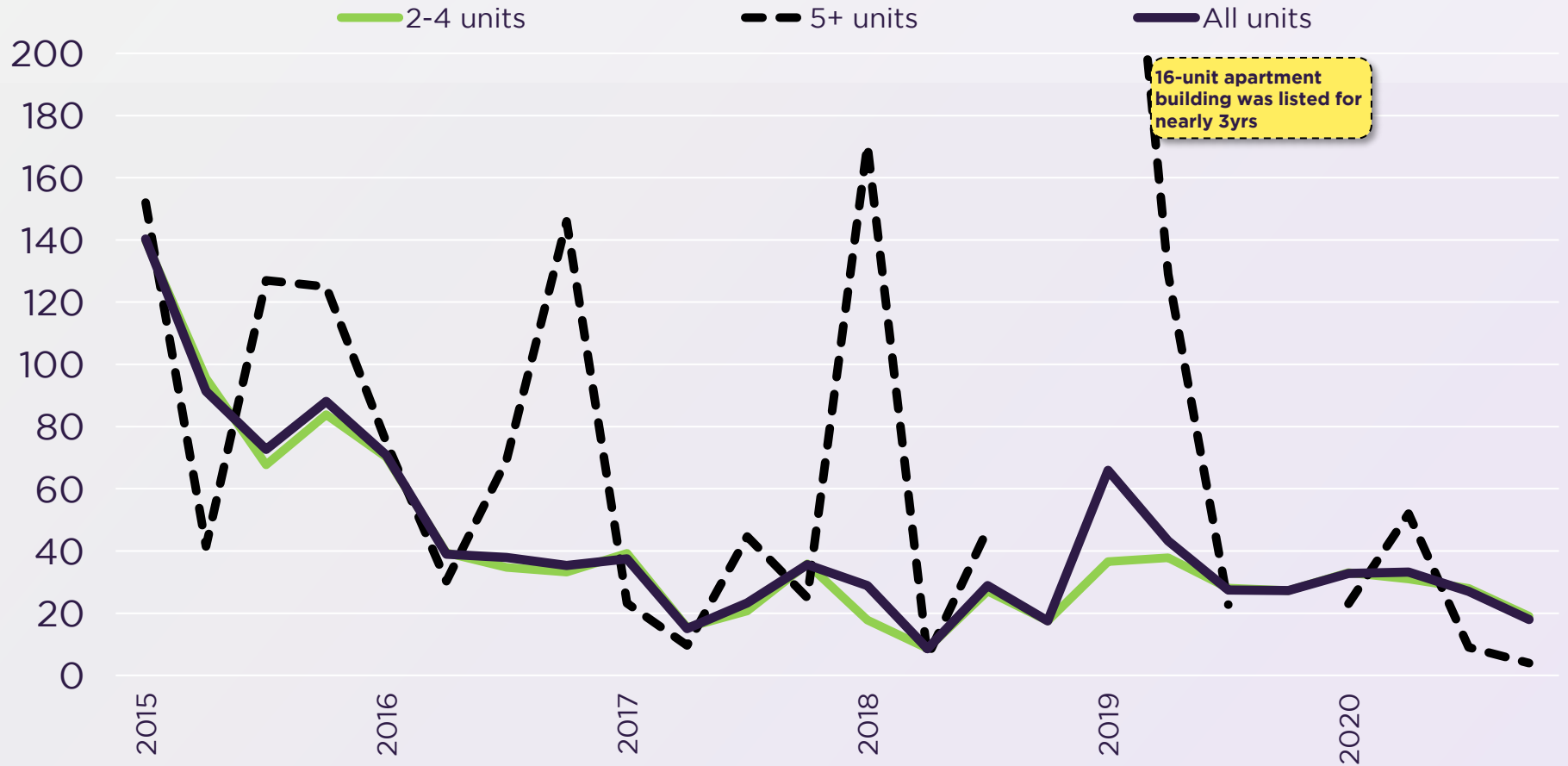
The vast majority of income properties are 4-units or less. Marketing time for this segment had been relatively stable since 2016, and started dropping greatly in 2020. The multi-family properties, are usually at 2-3x DOM of the small properties, but there has been such little inventory that they're going under contract fast.

DENVER METRO - INCOME PROPERTIES DAYS ON MARKET



The vast majority of income properties are 4-units or less. Marketing time for this segment had been relatively stable since 2016. The multi-family properties, are usually at 2-3x DOM of the small properties. For the second quarter in a row, the three multi-family properties that sold in the past three months were on the market for less than a week!

SOCO - INCOME PROPERTIES DAYS ON MARKET



Sold count has been relatively steady year over year; the biggest difference being in the largest properties. Inventory is *significantly* lower than last year. Buyers should be ready to compete! With interest rates as low as they are, the competition is worth the effort.

Purple = Jan '19 - Dec '19 Yellow = Jan '20 - Dec '20

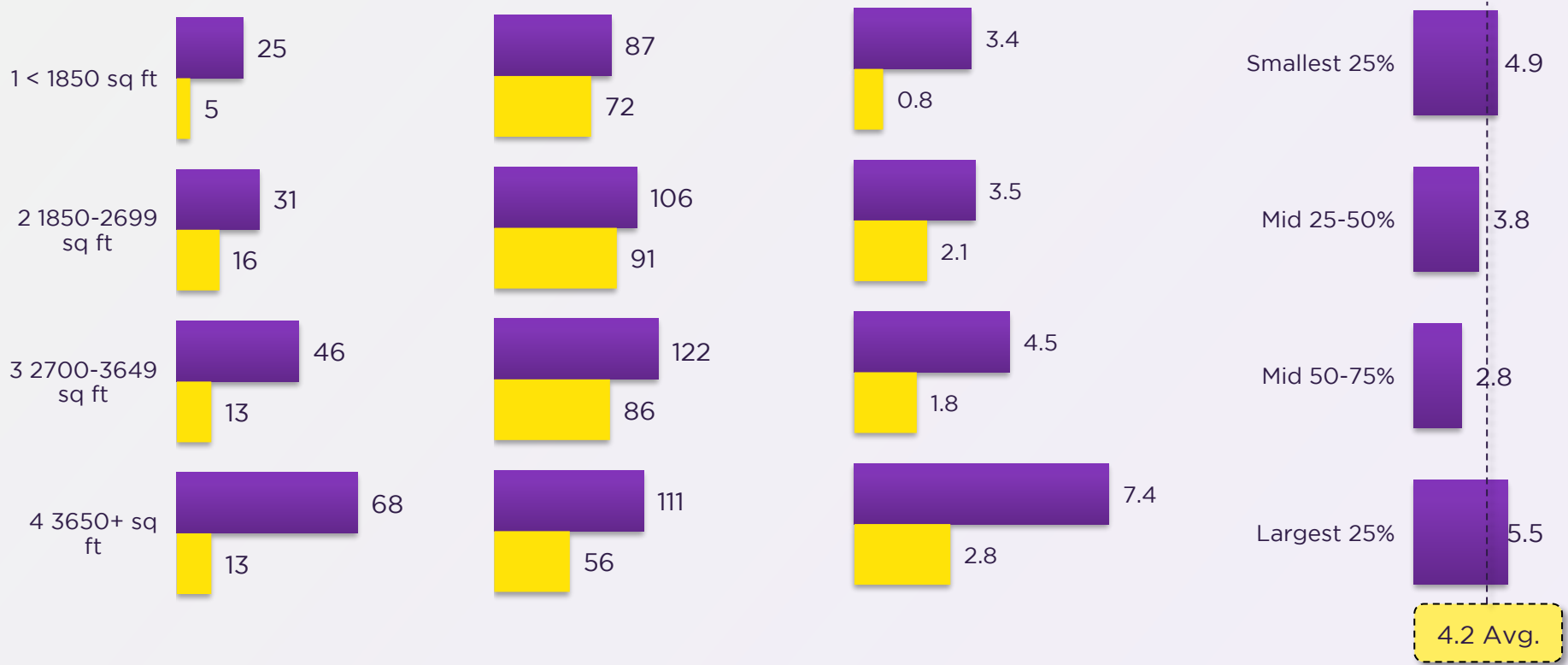
DENVER METRO - INCOME PROPERTIES

Active Listings Q4
Jan. 2021 vs Jan. 2020

Sold Listings
Jan '19 - Dec '19
vs Jan '20 - Dec '20

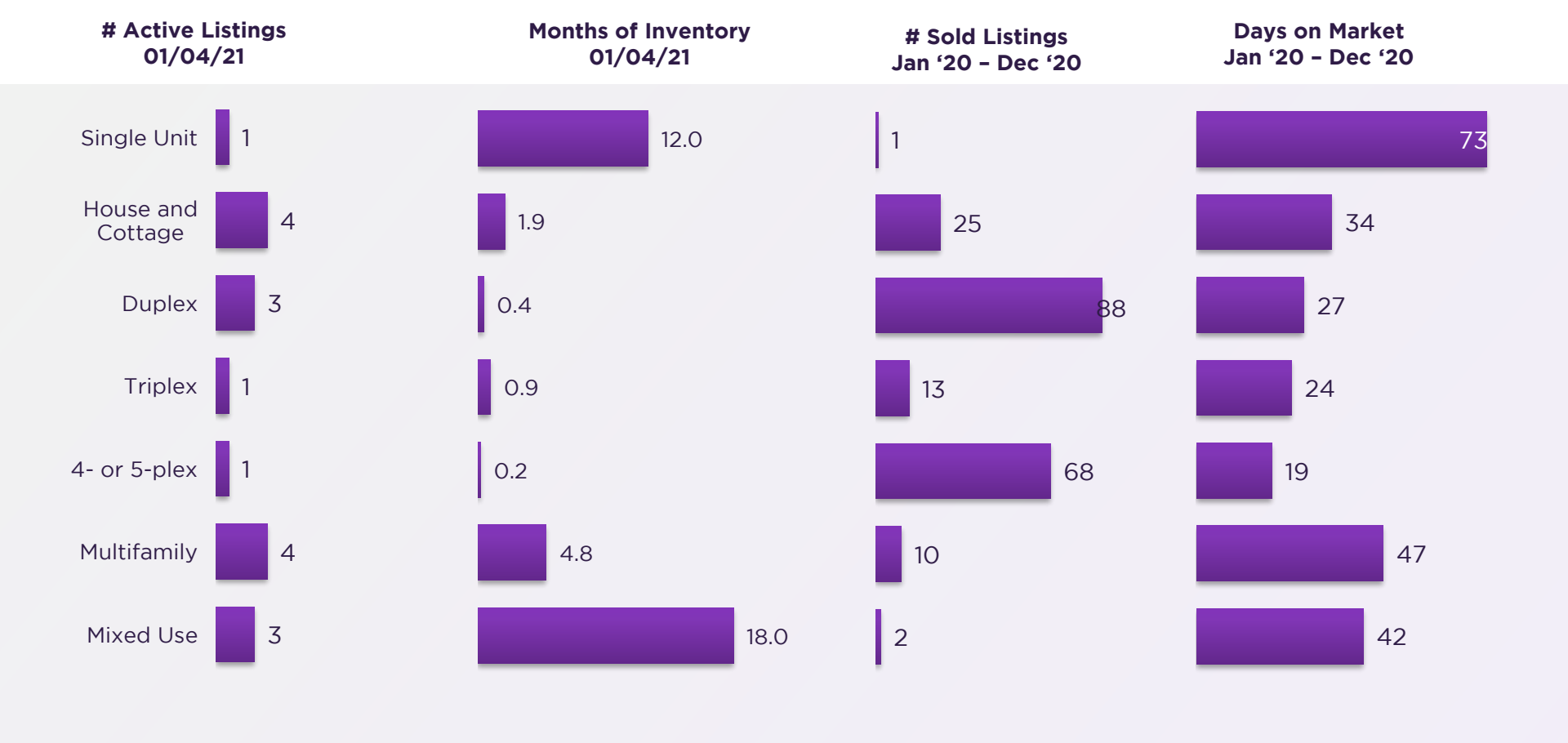
Months of Inventory
Jan. 2021 vs Jan. 2020

Historical Reference Point
MOI on 9/30/13



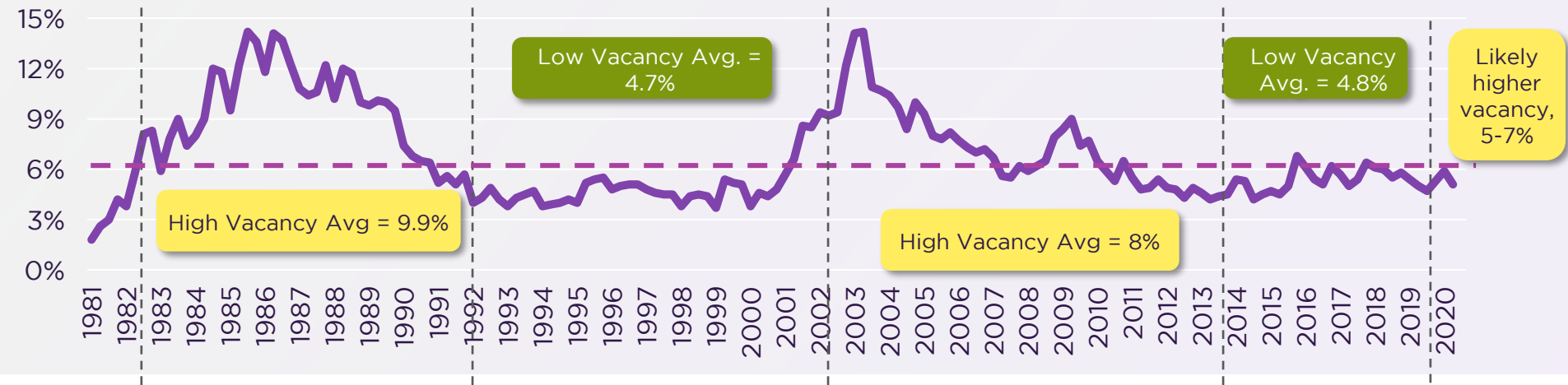
Duplexes and fourplexes are the most prevalent income sales. They respectively have the lowest MOI of the property types. Since so few single unit and mixed-use properties have sold in the last 12 months, statistics for these properties is incredibly skewed due to so few transactions.

COLORADO SPRINGS - INCOME PROPERTIES

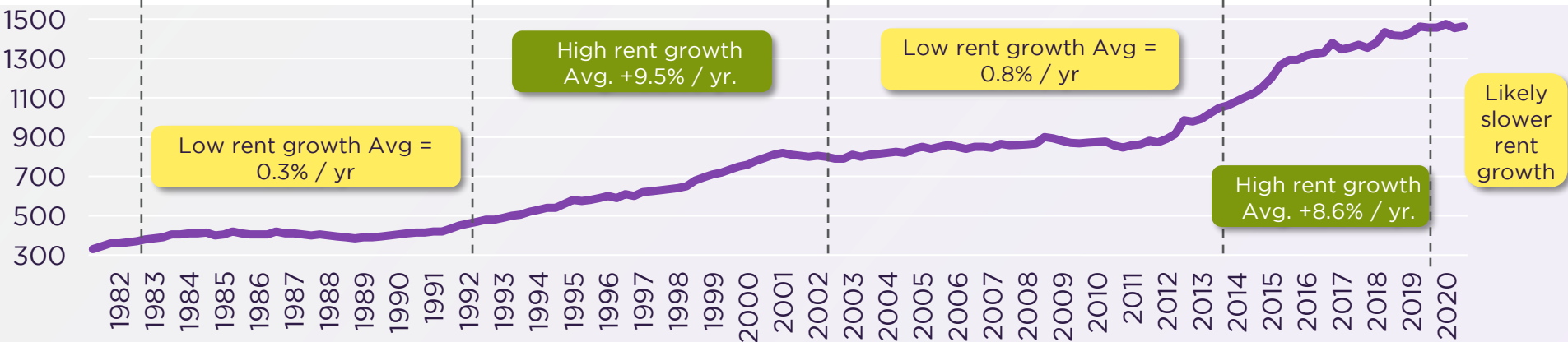


When Denver rental vacancy is below 6%, we generally experience rent growth. 1981-2020 average rent growth was 4%. (5+ unit Apartment data). 2012 to 2017 averaged 8.6% average annual rent growth. It's likely the next five years will average 2-4%.

VACANCY RATE BY QUARTER % (5+ UNIT BUILDINGS)

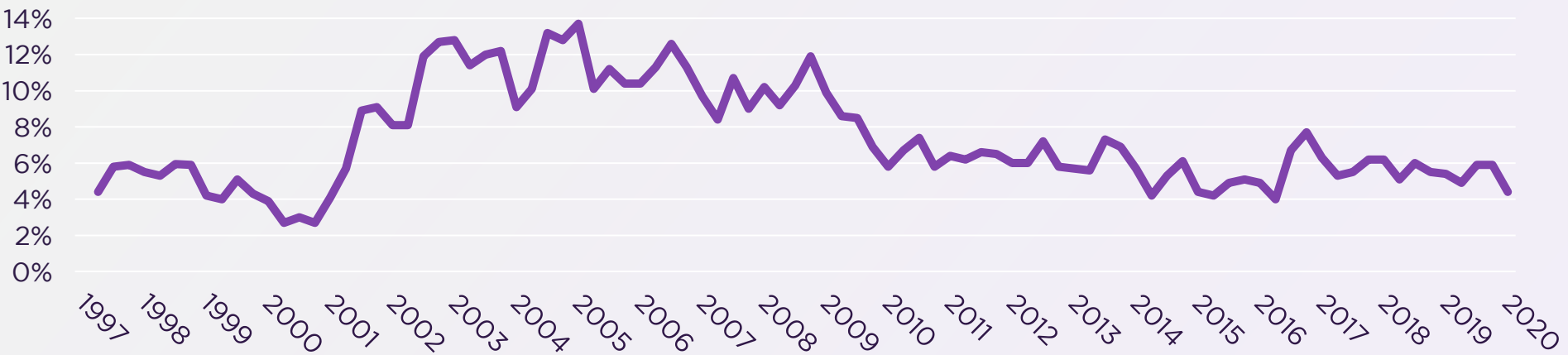


MEDIAN RENT BY QUARTER (\$) (5+ UNIT BUILDINGS)

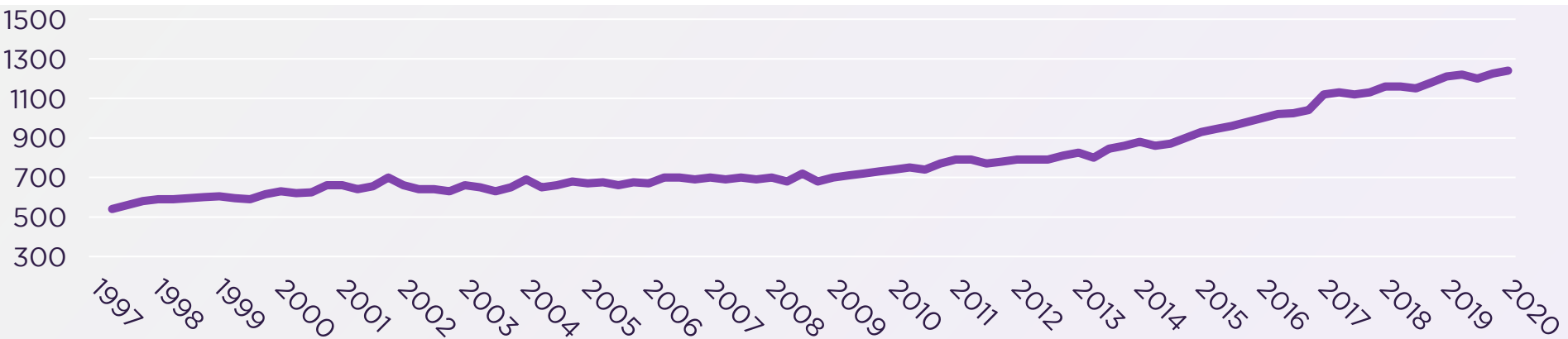


The Colorado Springs Metro Area closely follows the same pattern of Metro Denver. Vacancy rates rose during the housing boom of the early 2000s and has averaged 7% since 1997. Average rents are currently around \$1,240 and have grown at 3.9% per year.

VACANCY RATE BY QUARTER % (5+ UNIT BUILDINGS)



AVERAGE RENT BY QUARTER (\$) (5+ UNIT BUILDINGS)



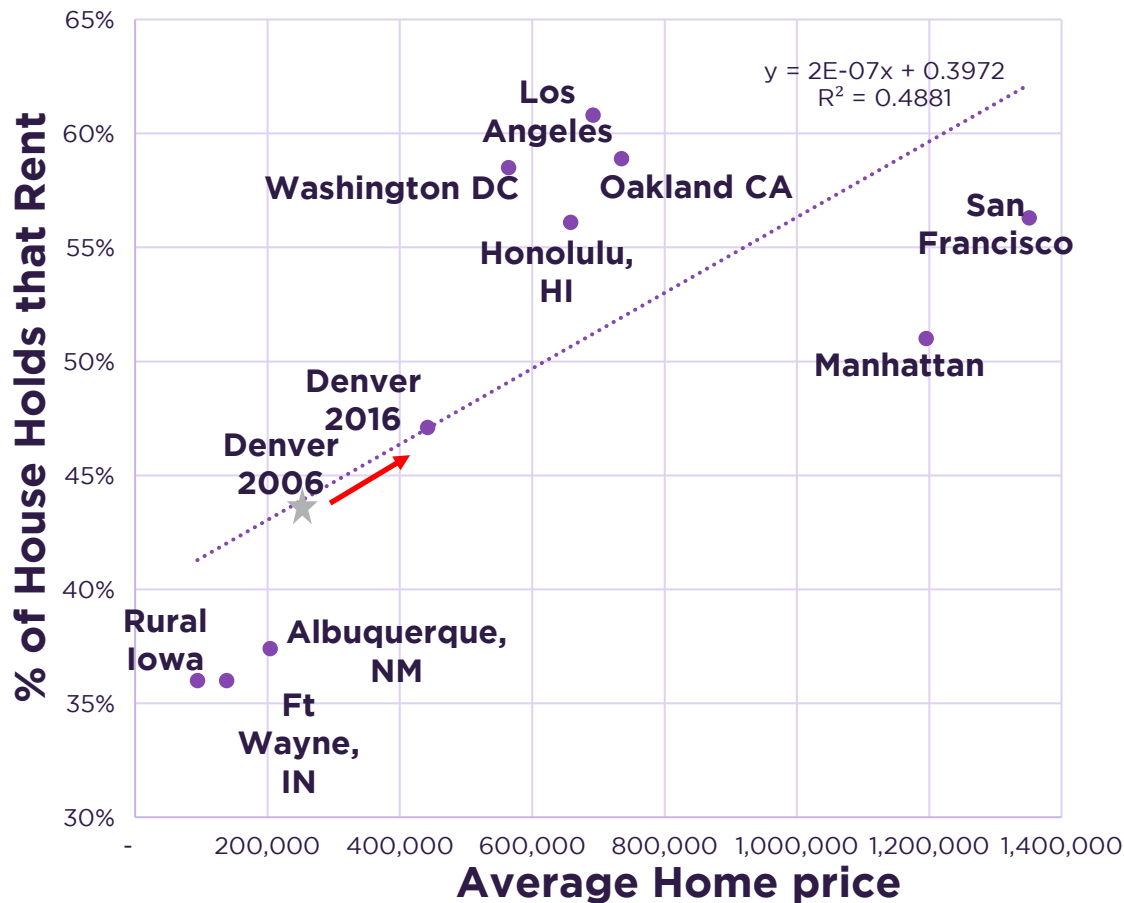
Average apartment rent relative to average Denver per capita income is currently at 23%. The 35-year average is 24%. Rents are more expensive relative to income than they were in 2005-2013, when at historically very low levels. They are now near the historical norm. There's a clear link between occupancy (1-vacancy rate) and rent growth. As vacancy rates gently drift upwards, rent growth will soften.

30-YEAR RELATIONSHIP BETWEEN OCCUPANCY AND RENT GROWTH



There is a strong relationship between home price (e.g., affordability) and what percentage of the population rents (vs. owns). More expensive cities tend to have a higher percentage of renter households. As Denver’s housing prices have increased in the past decade (+33%), the percentage of renters has increased (+11%), too.

RELATIONSHIP BETWEEN PRICE AND NON-O/O %



On the left-hand chart

- If home prices continue to increase faster than wage growth (or if mortgage rates go up); we’d expect to see ownership rates in Denver decrease.

What does it mean for the client?

- It would be wise to become a homeowner now before it’s altogether unrealistic to save for a down payment.
- If one has the means, it’s also a good time to acquire investments properties as the tenant pool grows.



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Notes from the attorneys...

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