



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 over 700 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. Appreciation has grown year over year every quarter since 2016. Sales volume had been declining, but it's picked back up a bit. Inventory is still low, and DOM continues to see dramatic declines. 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 | 17Q2 v 16Q2: +14% 18Q2 v 17Q2: +17% 19Q2 v 18Q2: +6% 20Q2 v 19Q2: +1% 21Q2 v 20Q2: +26% | 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 have been exceeding the increases in market rents (around 7% per year). Rents remain strong and price per unit is increasing greatly! |
| Number Sold | 17Q2 v 16Q2: -6% (427 v 453) 18Q2 v 17Q2: +1% (431 v 427) 19Q2 v 18Q2: -11% (384 v 431) 20Q2 v 19Q2: -11% (341 v 384) 21Q2 v 20Q2: +11% (379 v 341) | Sales volume is quite volatile in this incredibly small segment of the real estate market. Declines had been due to lack of inventory with margins that investors were looking for, but we've seen a nice rebound in unit count over the last quarter. |
| Days on Market | 17Q2 v 16Q2: +4% (82 v 79) 18Q2 v 17Q2: -17% (68 v 82) 19Q2 v 18Q2: +3% (70 v 68) 20Q2 v 19Q2: -7% (65 v 70) 21Q2 v 20Q2: -53% (30 v 65) | Marketing times experienced modest reductions in 2017 and 2018. And then dropped significantly in 2019 and 2020. As 2021 begins, we continue to see large decreases in time to market income properties. Keep in mind that negative change in DOM is actually a good thing (if you are a seller)! |
| Months of Inventory (MOI) | 07/04/20: 1.6 10/05/20: 2.3 01/04/21: 1.8 04/05/21: 0.8 07/06/21: 1.6 | MOI continues to remain low, as it has in nearly all segments of the real estate market. |

The **Colorado Springs** income property market continues to appreciate. Inventory is incredibly low, which has resulted in even further drops in DOM (Days on Market). This strong sellers' market keeps getting stronger!

**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 | 17Q2 v 16Q2: +15% 18Q2 v 17Q2: +22% 19Q2 v 18Q2: +6% 20Q2 v 19Q2: +14% 21Q2 v 20Q2: +21% | Rents remain strong and price per unit remains so as well. Price per unit continues to see double-digit appreciation. The second quarter seems to see the highest growth rates of the year. |
| Number Sold | 17Q2 v 16Q2: -6% (198 v 210) 18Q2 v 17Q2: +4% (206 v 198) 19Q2 v 18Q2: -21% (162 v 206) 20Q2 v 19Q2: +11% (180 v 162) 21Q2 v 20Q2: +24% (224 v 180) | 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. We've seen large sales growth this past quarter. |
| Days on Market | 17Q2 v 16Q2: -52% (32 v 66) 18Q2 v 17Q2: -25% (24 v 32) 19Q2 v 18Q2: +51% (36 v 24) 20Q2 v 19Q2: -16% (30 v 36) 21Q2 v 20Q2: -49% (16 v 30) | 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. Marketing time is currently just over a week! |
| Months of Inventory (MOI) | 07/04/20: 2.0 10/06/20: 1.7 01/04/21: 1.0 04/05/21: 0.7 07/06/21: 1.5 | While one could say that "MOI doubled" quarter over quarter, MOI of less than two months is still at record market lows. |

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.

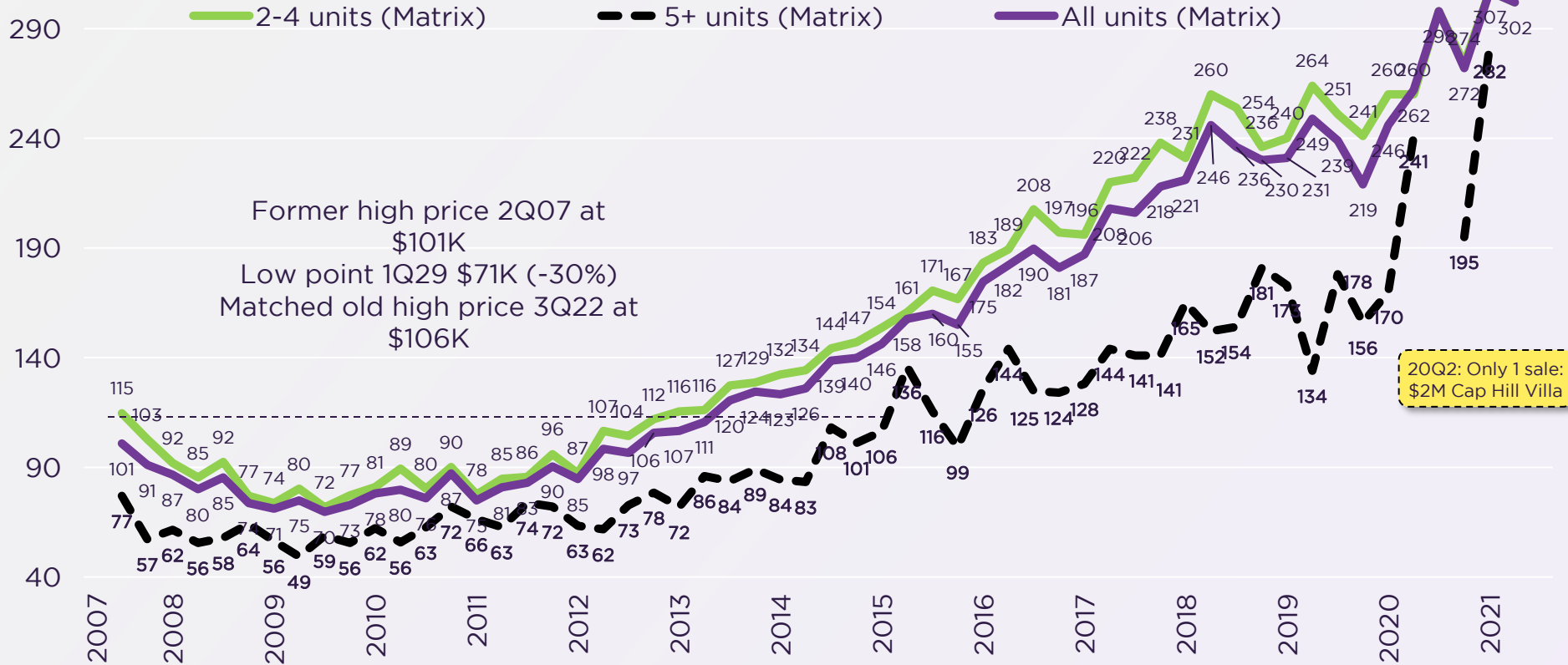
Both cases have the same assumptions for annual appreciation (5% per year), vacancy (5%), property management (8%) and maintenance reserves (8%). Based on actual investor purchases on the MLS. Buying at today's higher prices is more profitable than buying at 2006's lower prices.

| | 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. 2020-2021 has proven a greater appreciation than we had expected. While appreciation is slowing, it's still very healthy at 15% year over year.

DENVER METRO - AVERAGE PRICE PER UNIT

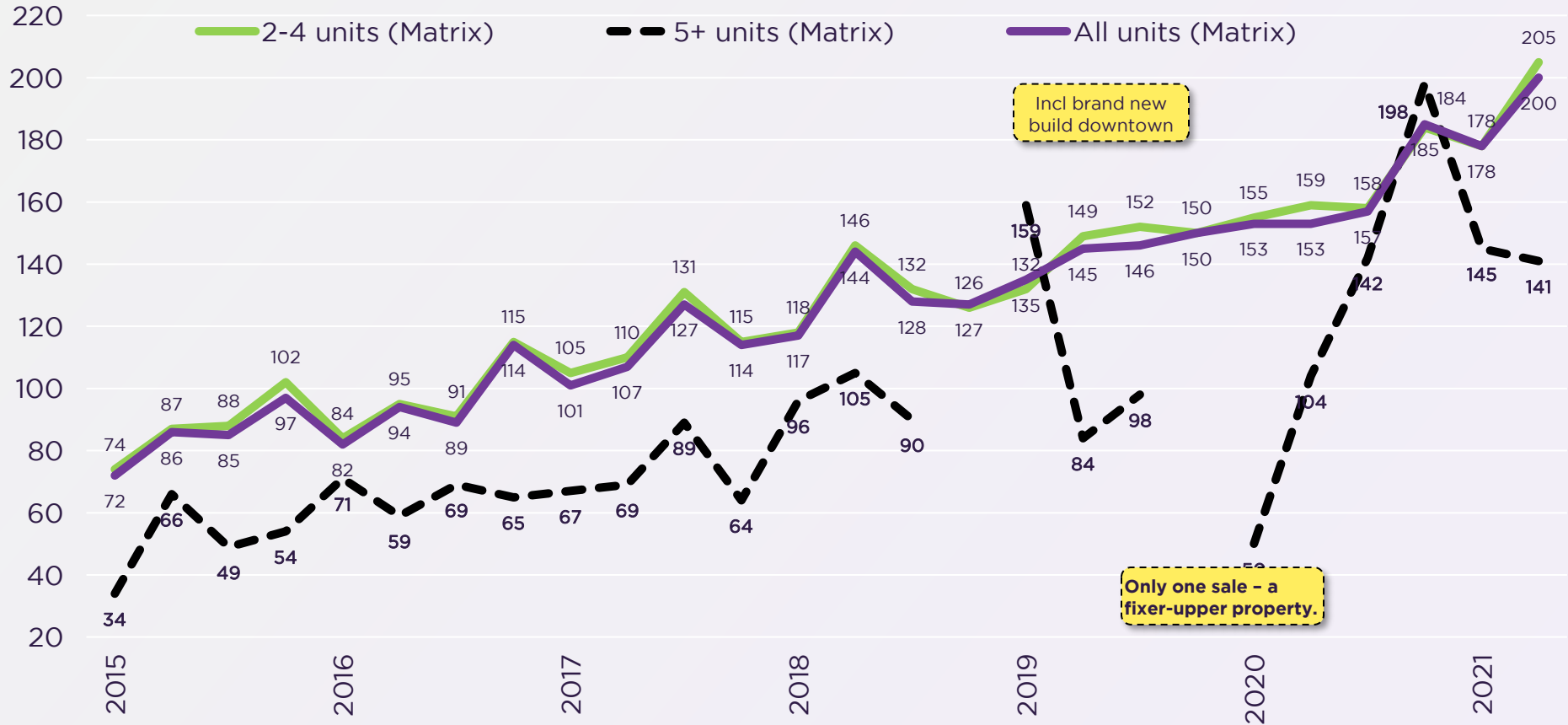
Sales Price / Unit in \$000



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.

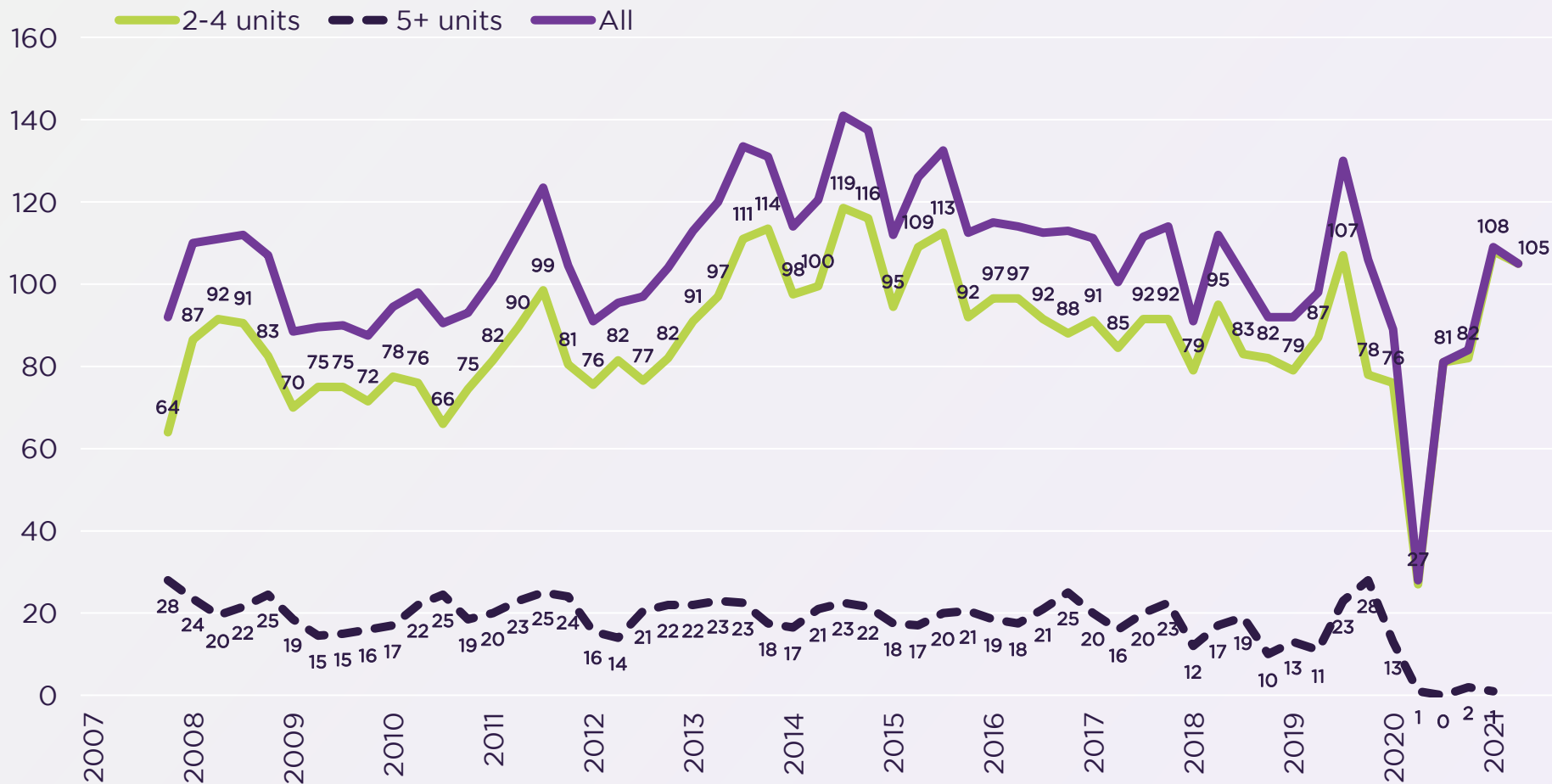
SOCO - AVERAGE PRICE PER UNIT

Sales Price / Unit in \$000



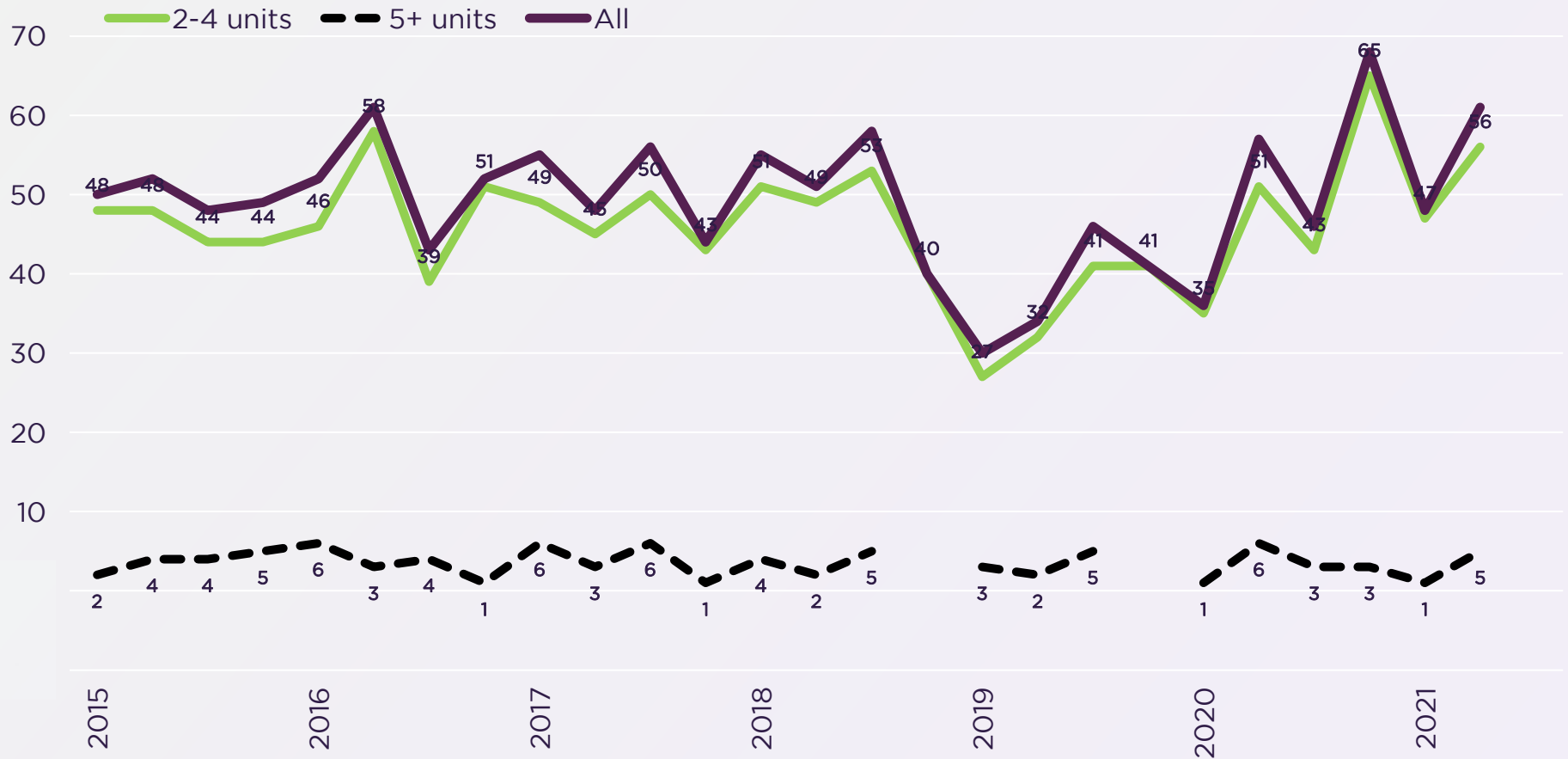
Income properties were also affected in the 2008 downturn. Volume was relatively stable from 2009 - 2012. Volume had slowly increased to pre-recession levels; but seeing some volatility over the last few quarters. 2019 and 2020 saw huge spikes in Q4; 20Q4 continued the upward trend. As for 5+ unit properties, they are much harder to come by, none of which sold this past quarter.

DENVER METRO - NUMBER UNITS SOLD



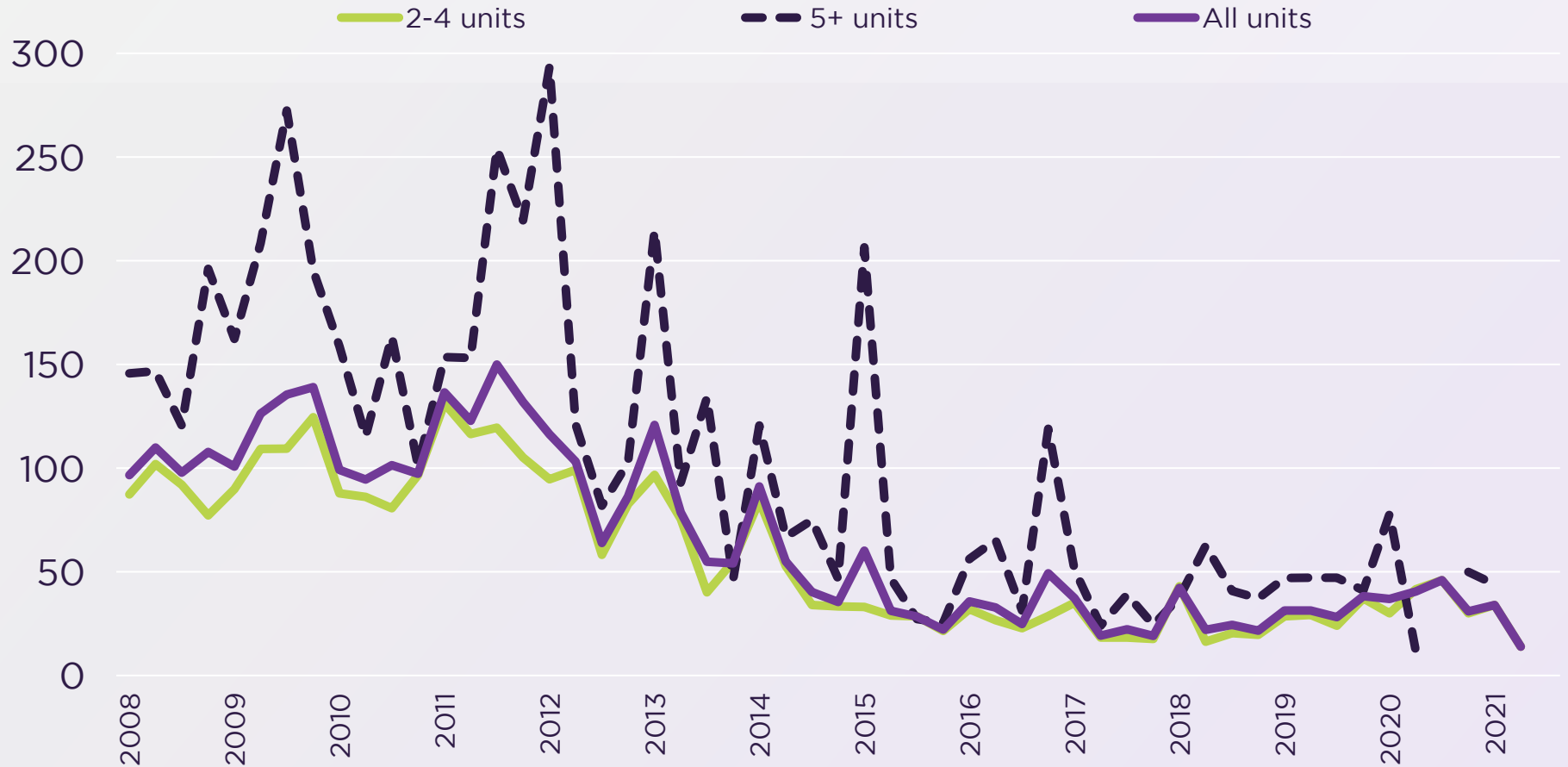
Sale count has been relatively steady over the past few years. There was a dip in 2019, but despite COVID, the 20Q4 saw the highest quarterly sales of the past three years. 2021 has started out in the normal range of the past few years, and it's already climbing.

SOCO - NUMBER UNITS SOLD



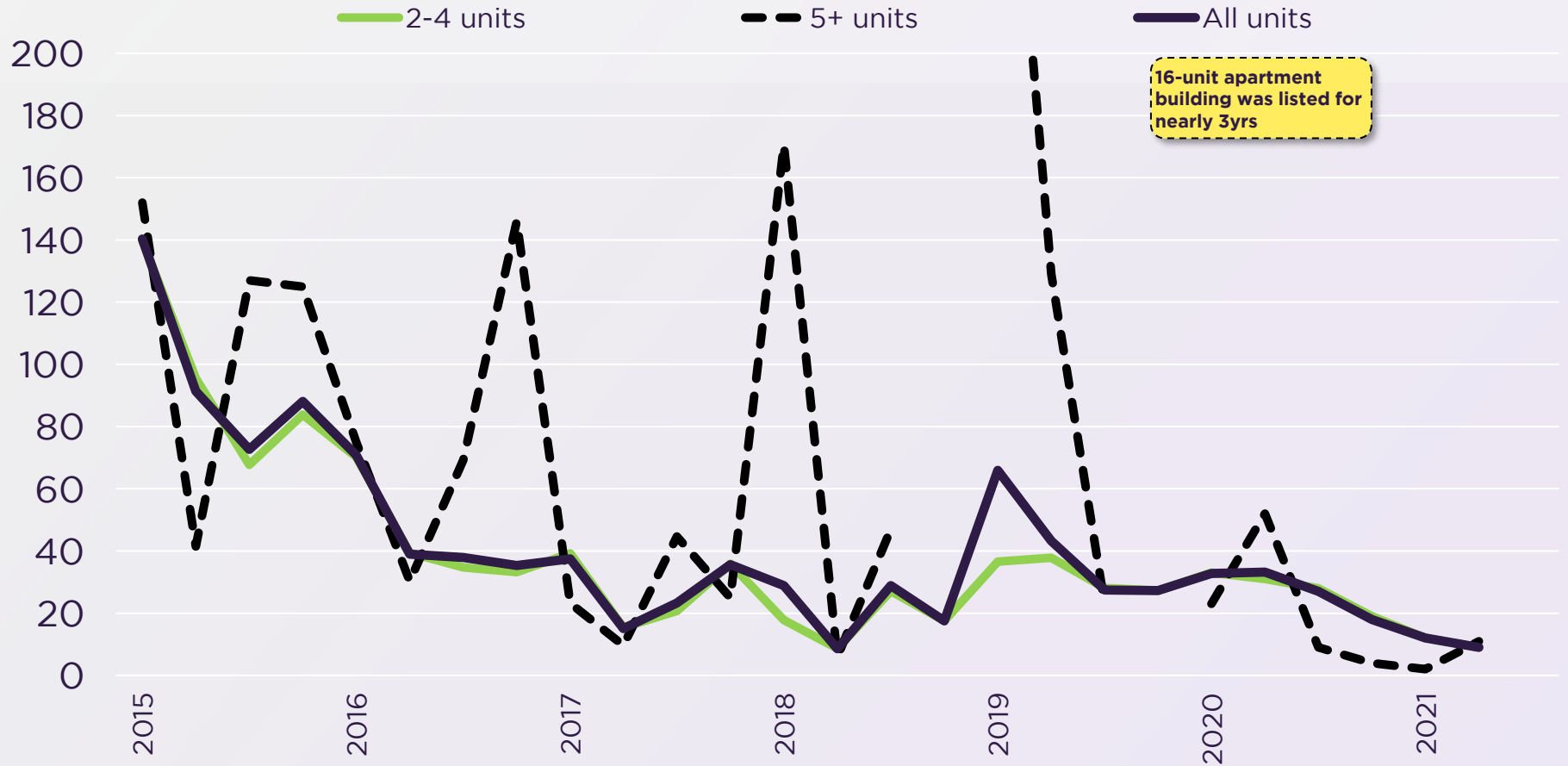
The vast majority of income properties are 4-units or less. Marketing time for this segment had been relatively stable since 2016, and started dropping greatly in 2020. The multi-family properties are usually at 2-3x DOM of the small properties, but there has been such little inventory that they're going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

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. Marketing time is barely at eight days and hasn't been this low since Q2 of 2018.

SOCO - INCOME PROPERTIES DAYS ON MARKET



Sold count has been relatively steady year over year; currently selling 50% more of the mid-sized properties and 40% less of the largest ones. Inventory is nearly identical to last year, with a bit more available in the smallest segment. Buyers should be ready to compete! With interest rates as low as they are, the competition is worth the effort.

Purple = Jul '19 - Jun '20 Yellow = Jul '20 - Jun '21

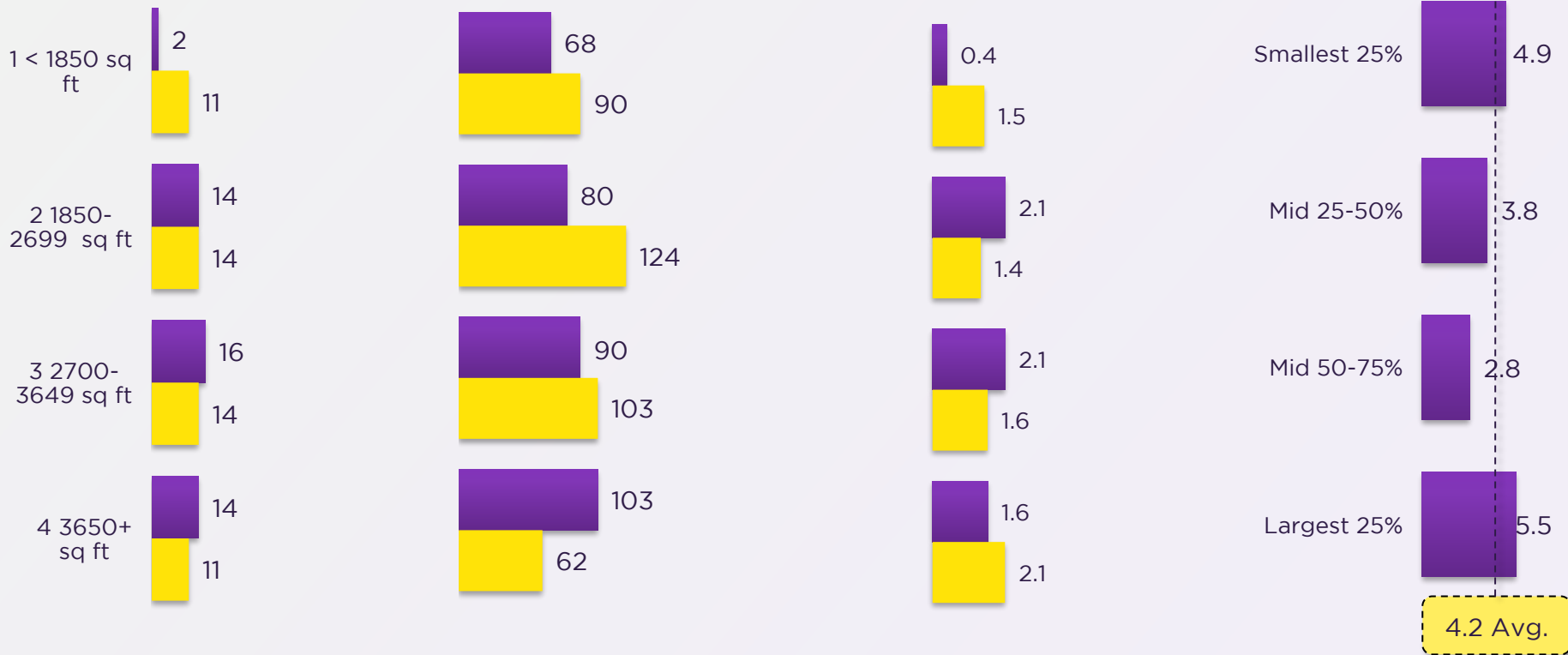
DENVER METRO - INCOME PROPERTIES

**# Active Listings Q1
Jul. 2021 vs Jul. 2020**

**# Sold Listings
Jul '19 - Jun '20
vs Jul '20 - Jun '21**

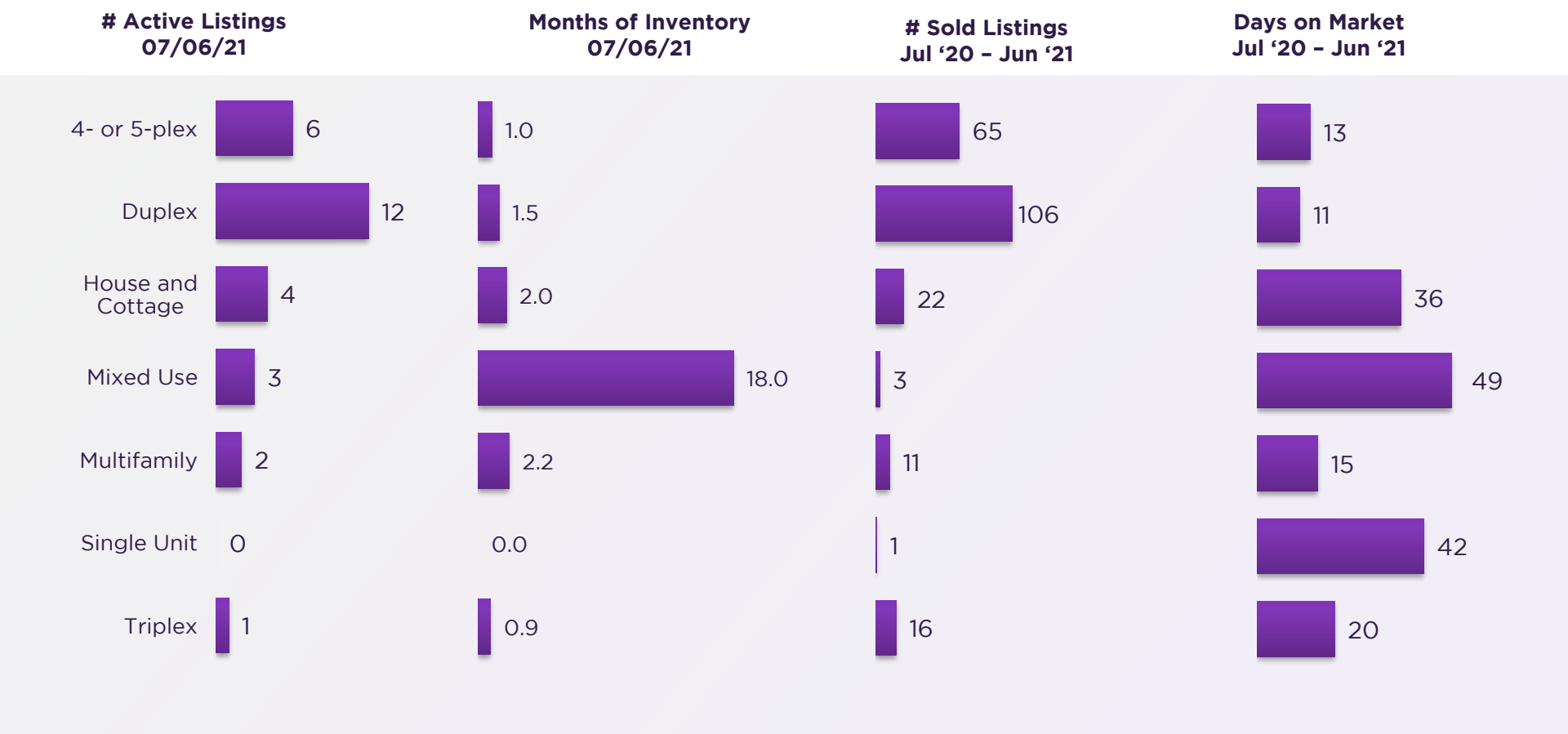
**Months of Inventory
Jul. 2021 vs Jul. 2020**

**Historical Reference Point
MOI on 9/30/13**



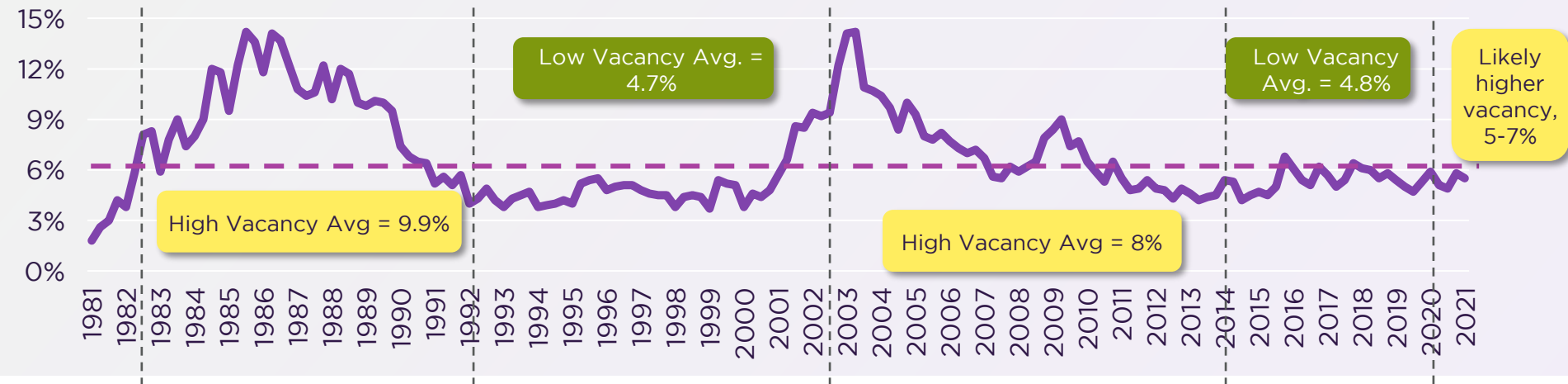
Duplexes and fourplexes are the most prevalent income property sales. They respectively have the lowest MOI of the property types that have active listings. Since so few single unit and mixed-use properties are sold per quarter, statistics for these properties is incredibly skewed due to so few transactions.

COLORADO SPRINGS - INCOME PROPERTIES

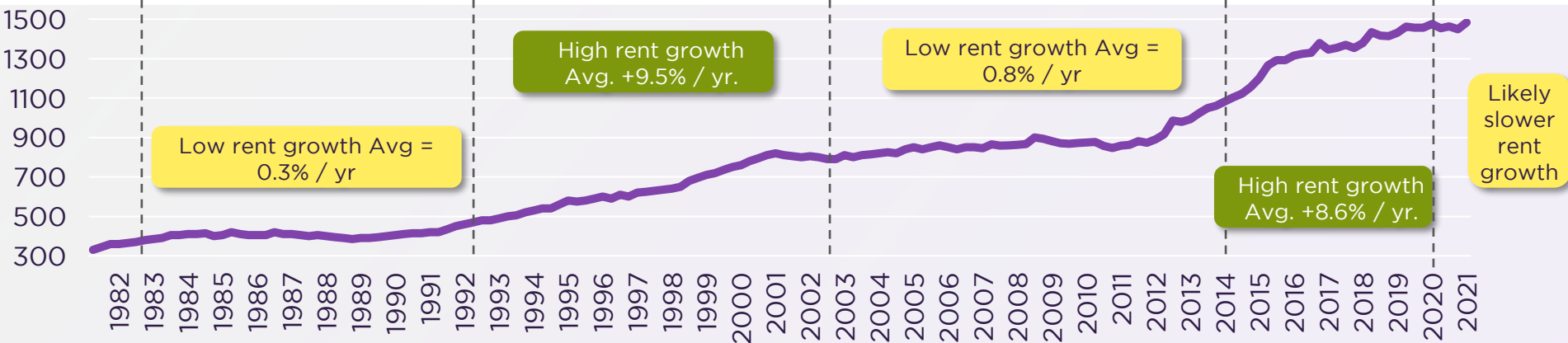


When Denver rental vacancy is below 6%, we generally experience rent growth. 1981-2021 average rent growth was 4%. (5+ unit Apartment data). 2012 to 2017 averaged 8.6% average annual rent growth. It's likely the next five years will average 2-4%.

VACANCY RATE BY QUARTER % (5+ UNIT BUILDINGS)

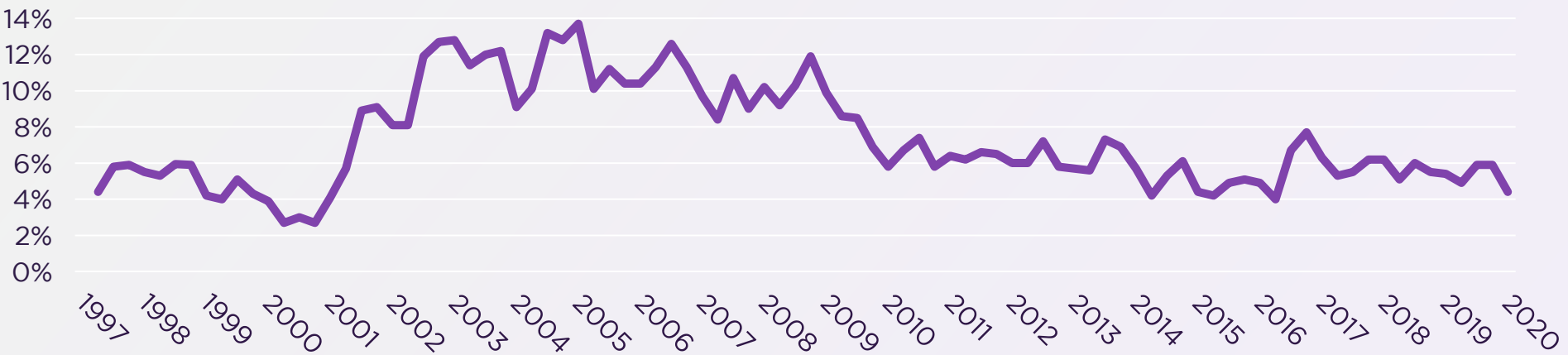


MEDIAN RENT BY QUARTER (\$) (5+ UNIT BUILDINGS)

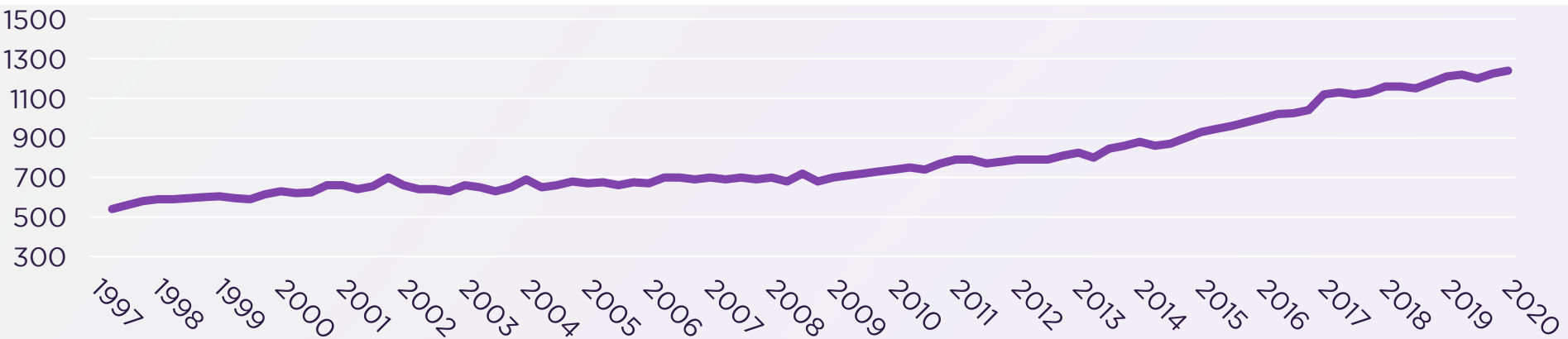


The Colorado Springs Metro Area closely follows the same pattern of Metro Denver. Vacancy rates rose during the housing boom of the early 2000s and has averaged 7% since 1997. Average rents are currently around \$1,240 and have grown at 3.9% per year.

VACANCY RATE BY QUARTER % (5+ UNIT BUILDINGS)



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



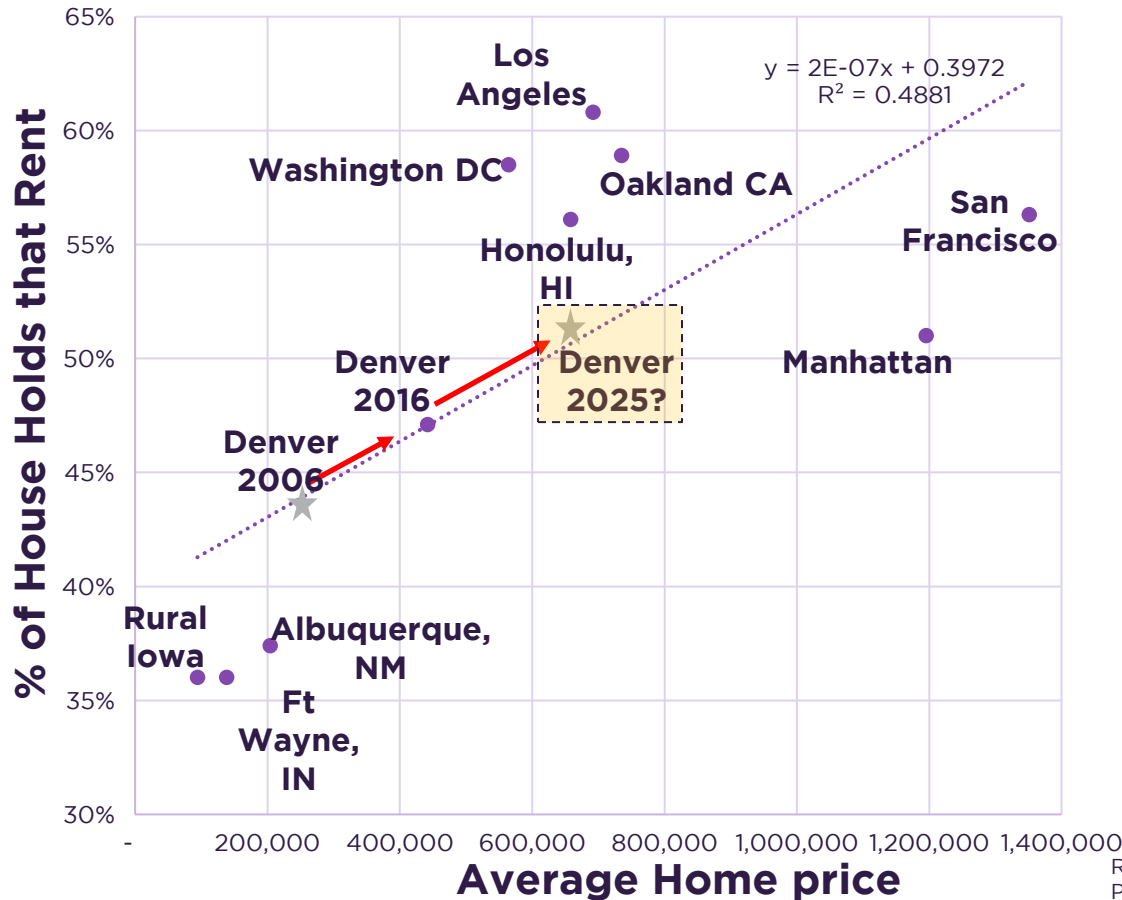
Average apartment rent relative to average Denver per capita income is currently at 23%. The 35-year average is 24%. Rents are more expensive relative to income than they were in 2005-2013, when at historically very low levels. They are now near the historical norm. There's a clear link between occupancy (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 have a higher percentage of renter households. As Denver's housing prices have increased in the past decade, the percentage of renters has increased, too. We anticipate the projected increase in prices from 2021-25 will mean fewer people can afford homes. Despite a growing population, the number of home sales likely will be flat. It's a great time to be buying rental property!

RELATIONSHIP BETWEEN PRICE AND NON-O/O %



Source: YCRE analysis, Census Bureau

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.

• The number of renters could grow from 1.46 to 1.75 million. That's 290,000 more renters between 2016 and 2025.

Renter calc: 3,116,000 population in 2016, add 0.8% or 25,800 people Per year for ten years. Estimated 2025 population = 3,375,000. 2016 Has 3,116,000 * 47% that rent. 2025 has 3,375,000 * 52% that rent.



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Notes from the attorneys...

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