



Your Castle Real Estate and Your Castle Realty, established in 2004, has grown to become the largest independent and 6th largest overall real estate company on the Front Range, according to the Denver Business Journal. With over 750 agents in 6 offices, we sold over \$2 billion of real estate in both 2019 and 2020, and over \$3 billion in 2021. We have also appeared in local and national publications, including recent awards from the D.B.J. and Inc. 5000 (See below).

Our staff and agents are passionate about delivering exceptional consumer experiences. We offer services from residential sales to corporate relocation and beyond, so that we can meet our clients' every need. We have experts in every field to guide clients skillfully from the beginning to the end of their real estate journeys. We believe that access to the best and most timely information can dramatically shape decisions, and no one does more research on the local housing market than Your Castle.

In addition, from 2018 to 2021, Your Castle Real Estate gave \$175,000 in charitable donations annually. We're a proud sponsor of 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. There has been positive appreciation every quarter since 2016. Sales volume had been declining, but grew 60% in the past twelve months! 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 continue to grow.

METRIC	PERFORMANCE (TTM)	OBSERVATIONS
Average Price per Unit	17Q4 v 16Q4: +13% 18Q4 v 17Q4: +14% 19Q4 v 18Q4: 0% 20Q4 v 19Q4: +17% 21Q4 v 20Q4: +15%	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. Rents remain strong and price per unit is increasing greatly!
Number Sold	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 426) 21Q4 v 20Q4: +60% (489 vs 305)	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 this past year.
Days on Market	17Q4 v 16Q4: -22% (69 v 88) 18Q4 v 17Q4: 0% (69) 19Q4 v 18Q4: +12% (77 v 69) 20Q4 v 19Q4: -56% (34 v 77) 21Q4 v 20Q4: -39% (21 v 34)	Marketing times experienced modest reductions in 2017 and 2018. And then dropped significantly in 2020. As 2022 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)	01/04/21: 1.8 04/05/21: 0.8 07/06/21: 1.6 10/04/21: 1.7 01/04/22: 0.6	MOI is tightening yet again, as it has in nearly all segments of the real estate market.

The **Colorado Springs** income property market continues to experience large double-digit appreciation. Inventory is incredibly low, which has resulted in even further drops in DOM (Days on Market) – currently just two weeks! No end in sight for this incredible sellers’ 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	17Q4 v 16Q4: +19% 18Q4 v 17Q4: +15% 19Q4 v 18Q4: +12% 20Q4 v 19Q4: +13% 21Q4 v 20Q4: +23%	Rents remain strong and price per unit remains even more so! Price per unit continues to see double-digit appreciation, and growing. As homeowners and investors alike get priced out of Metro Denver, they spread to other areas such as SOCO.
Number Sold	17Q4 v 16Q4: -2% (204 v 208) 18Q4 v 17Q4: 0% (204) 19Q4 v 18Q4: -26% (151 v 204) 20Q4 v 19Q4: +37% (207 v 151) 21Q4 v 20Q4: +10% (227 v 207)	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’re continuing to see sales growth each quarter.
Days on Market	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 v 39) 21Q4 v 20Q4: -49% (14 v 27)	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 two weeks!
Months of Inventory (MOI)	01/04/21: 1.0 04/05/21: 0.7 07/06/21: 1.5 10/04/21: 1.5 01/04/22: 1.0	Inventory is tightening again. Coincidentally at the same level it was this time last year.

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.

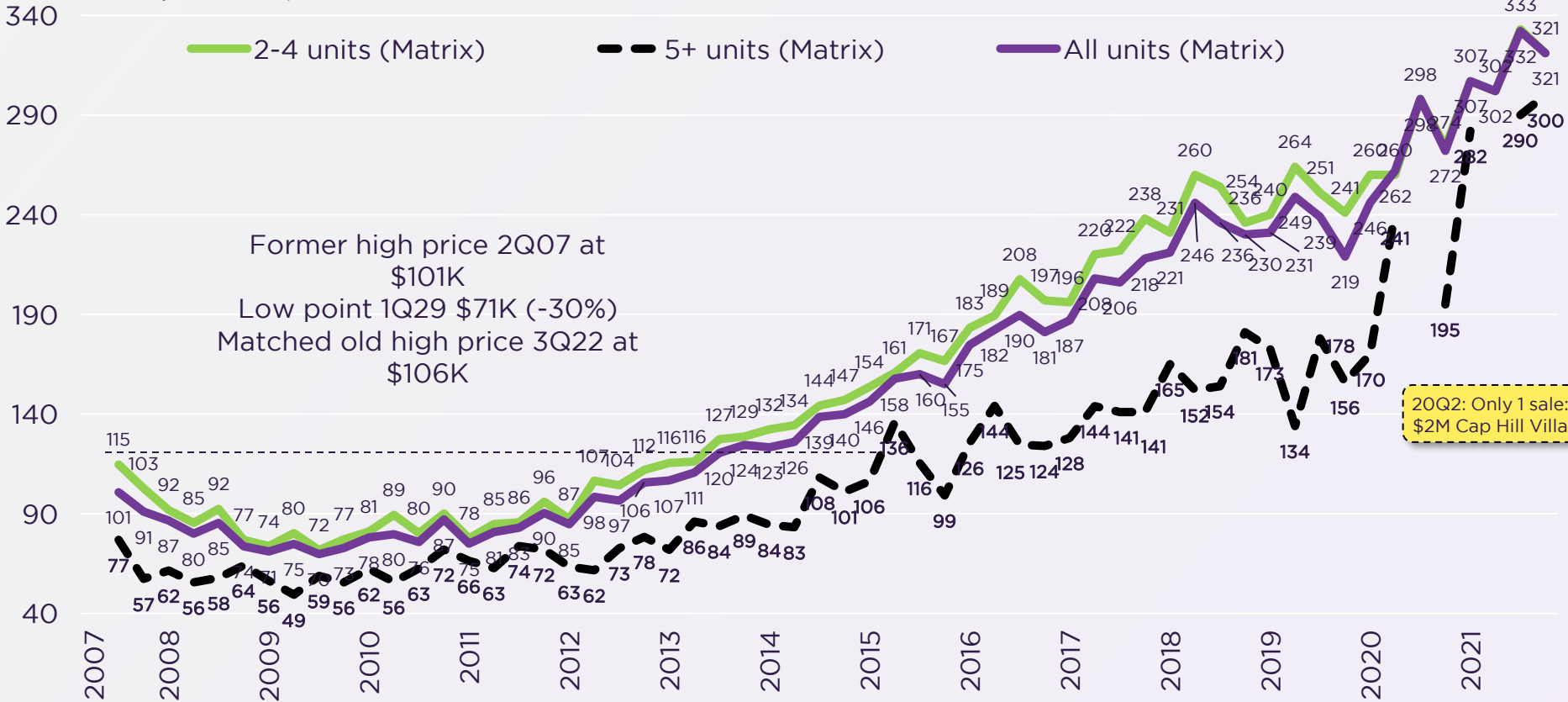
Both cases have the same assumptions for annual appreciation (5% per year), vacancy (5%), property management (8%) and maintenance reserves (8%). Based on actual investor purchases on the MLS. Buying at today's higher prices is more profitable than buying at 2006's lower prices.

	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. The past trailing twelve months has seen a return to the 9% range.

## DENVER METRO - AVERAGE PRICE PER UNIT

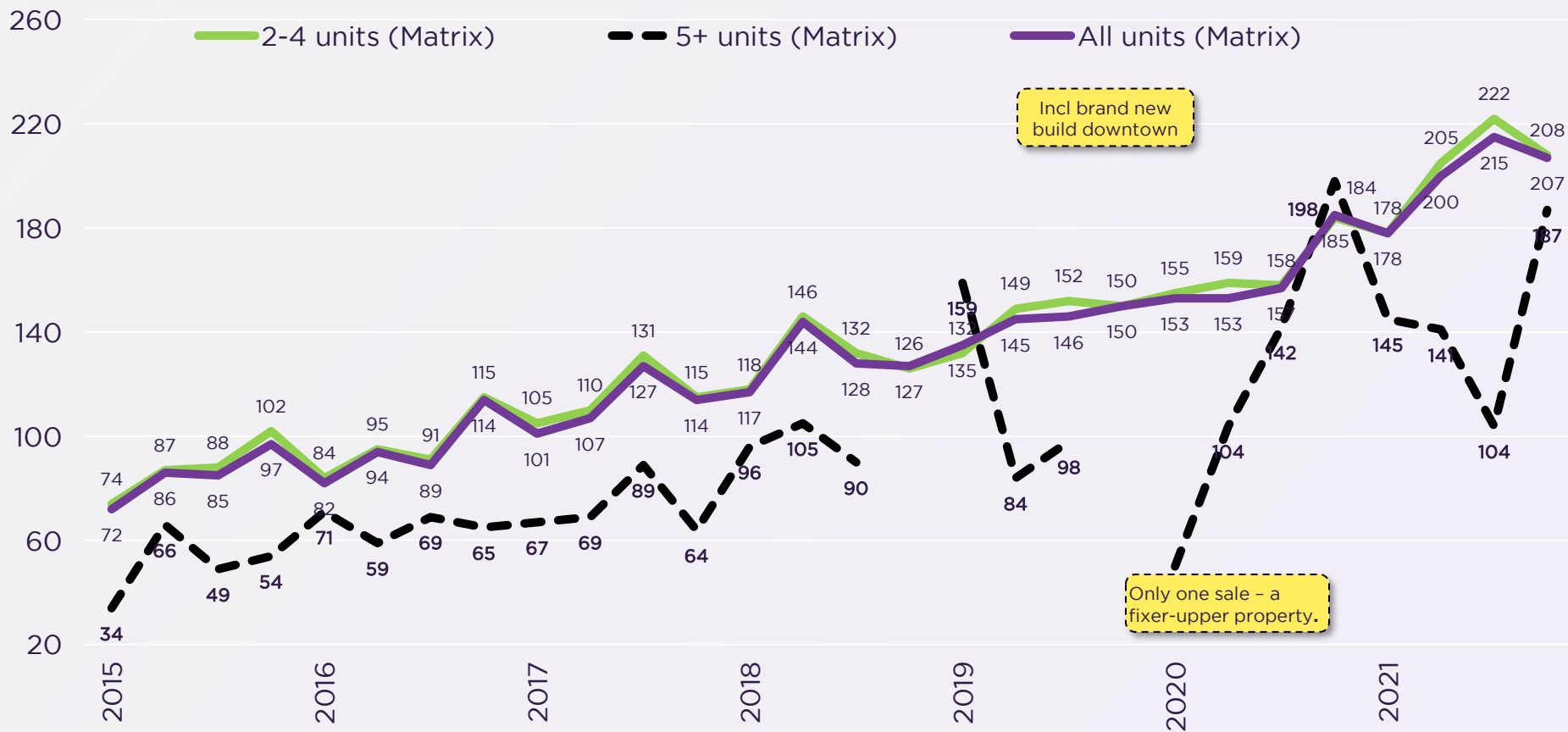
Sales Price / Unit in \$000



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. The trendline for 5+ unit properties varies greatly due to the extremely small sample size.

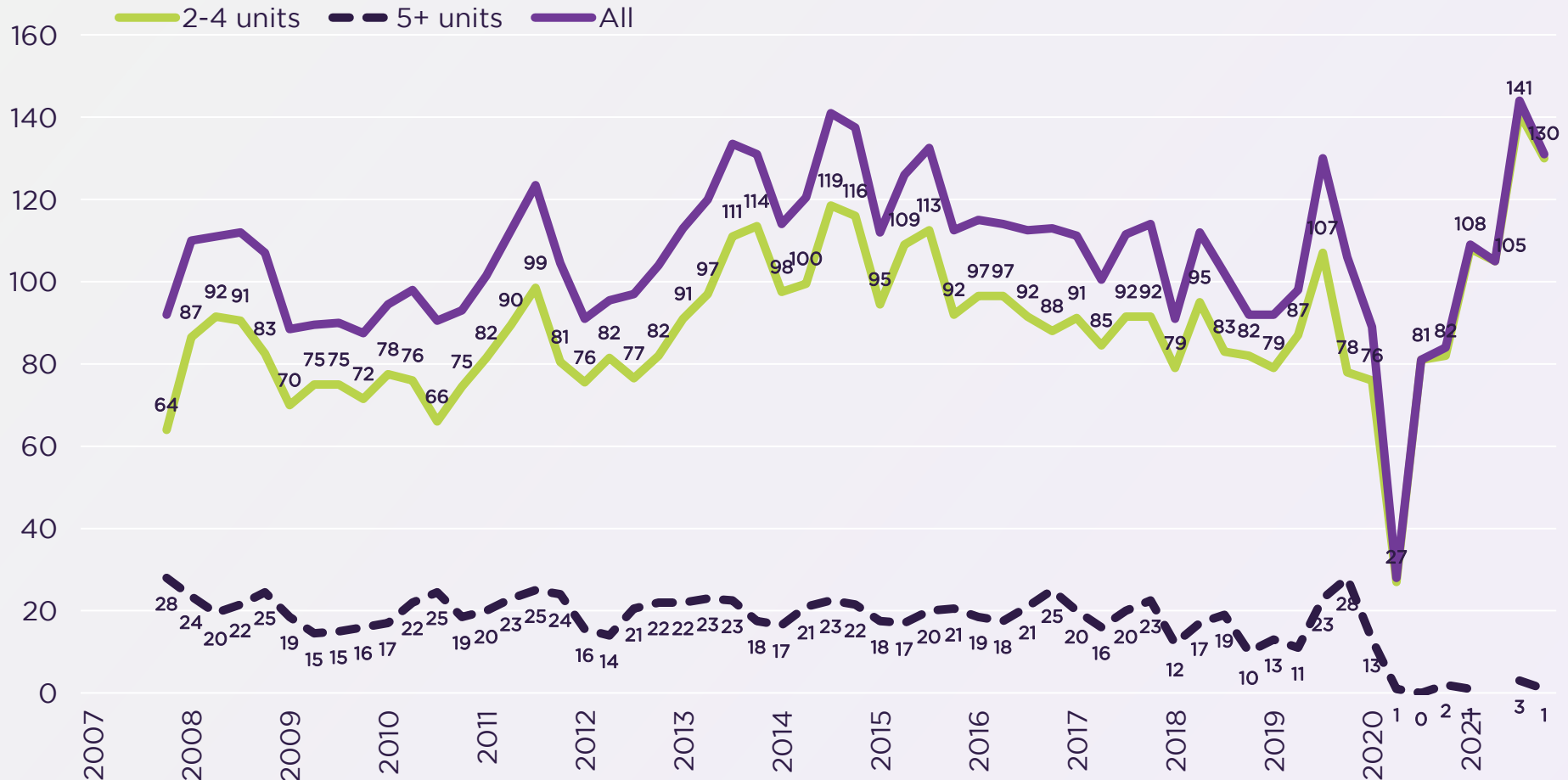
## SOCO - AVERAGE PRICE PER UNIT

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. Third quarter 2019 saw a big spike in sales. In 21Q3 there were more income properties sold in a single quarter than there have been in over 14 years! This past quarter saw a small dip, likely due to limited inventory.

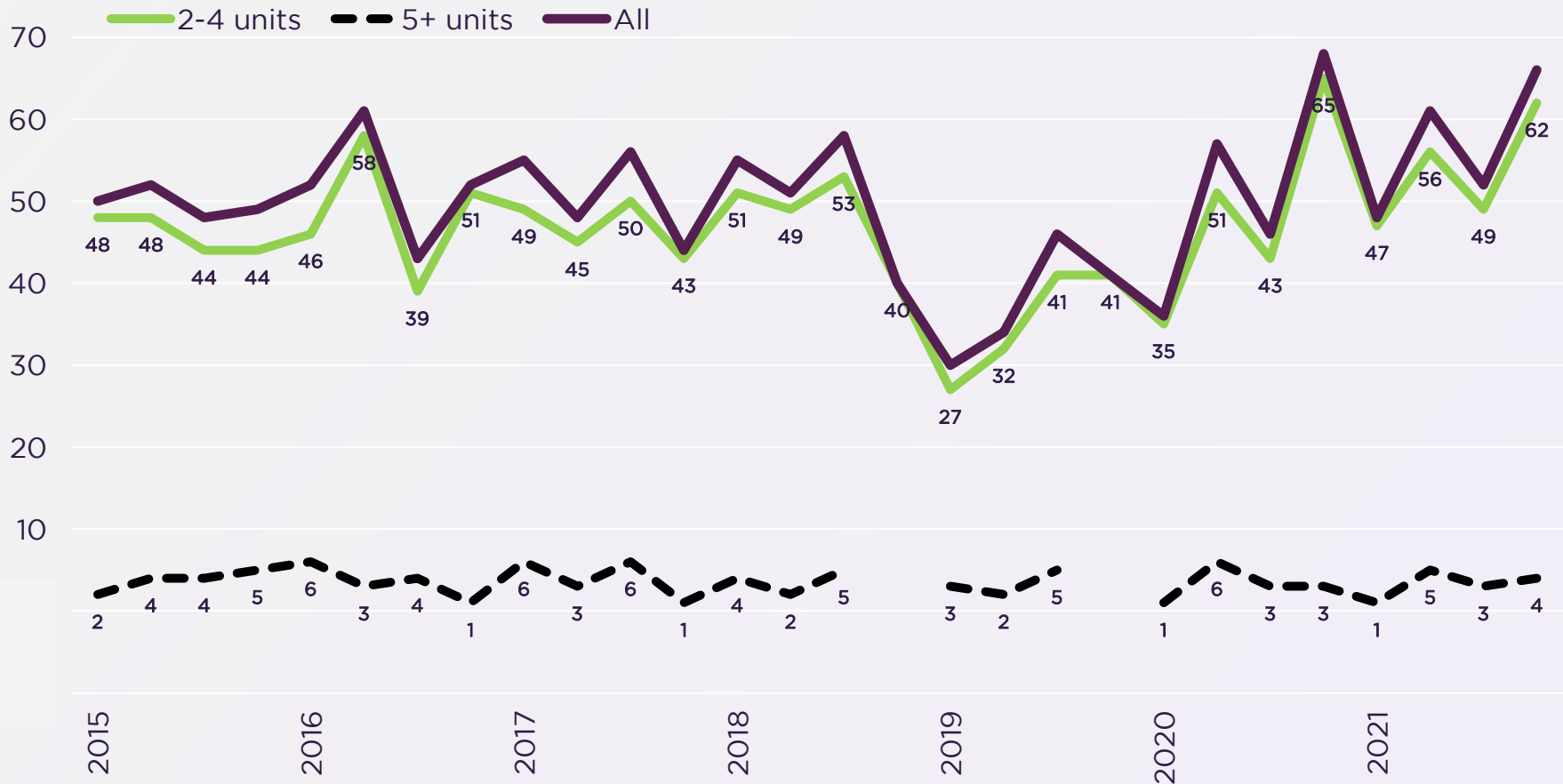
## DENVER METRO - NUMBER UNITS SOLD





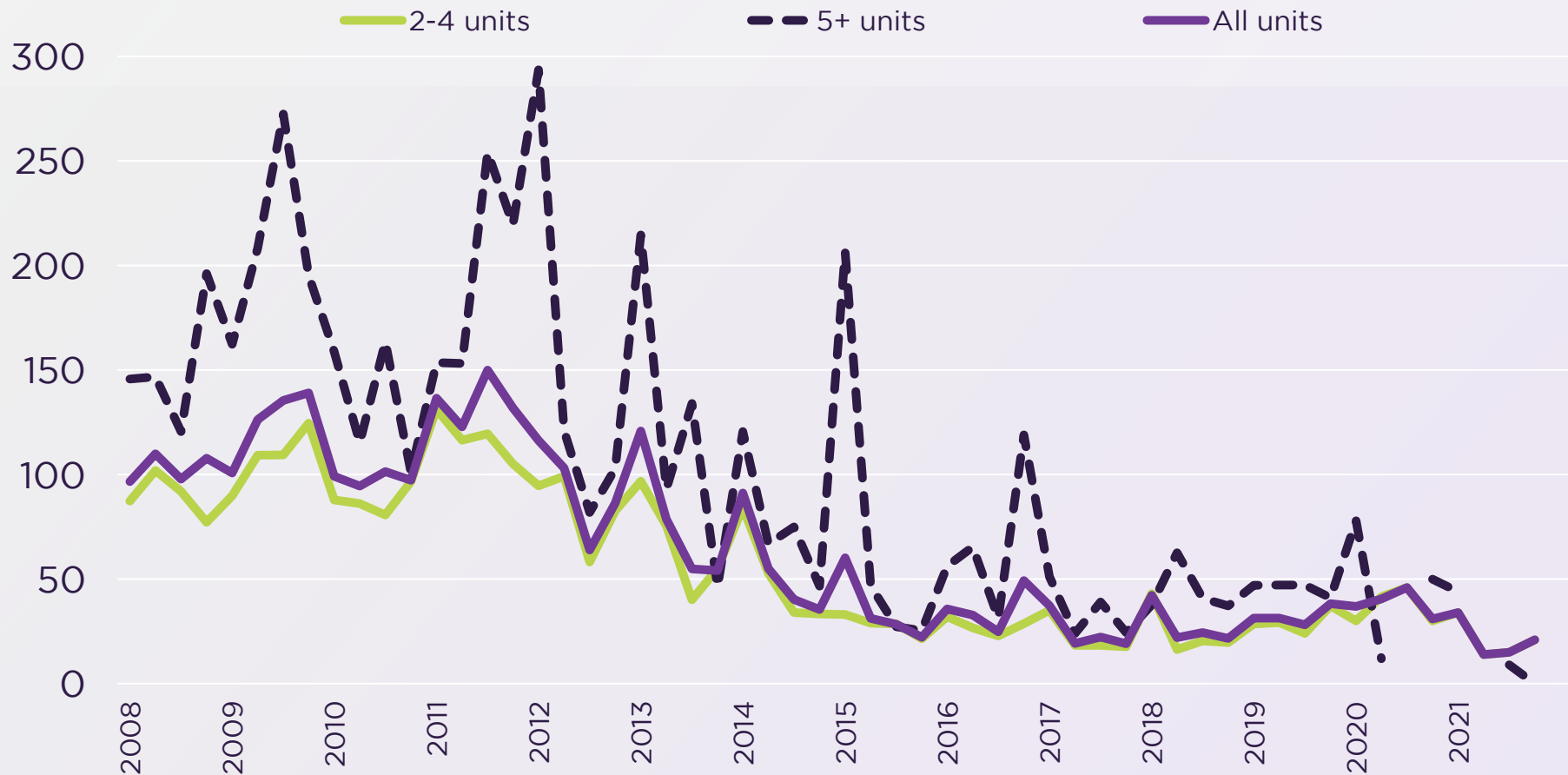
Sale count has been relatively steady over the past few years. There was a dip in 2019, but despite COVID, the 20Q4 saw the highest quarterly sales of the past three years. 2021 followed similar patterns to previous years.

## SOCO - NUMBER UNITS SOLD



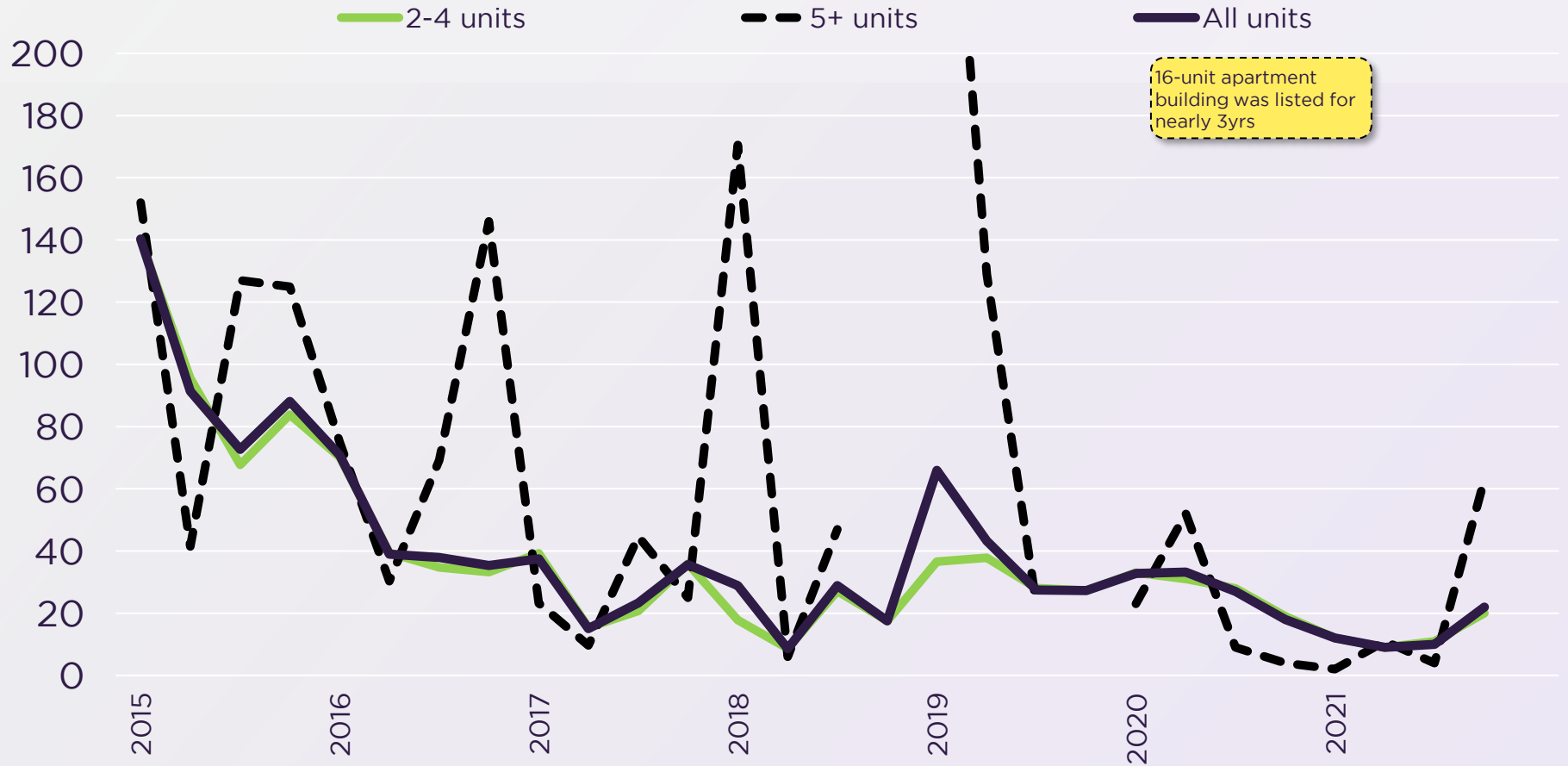
The vast majority of income properties are 4-units or less. The multi-family properties are usually at 2-3x DOM of the small properties, but there has been such little inventory that they're going under contract fast - in just three weeks. The 5+ unit sales are rarer, and the one sale that occurred last quarter went on and off market the same day!

## 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. DOM for 5+ units went from just 4 last quarter to 63 this quarter! It's just about the mix and type of properties being sold.

## SOCO - INCOME PROPERTIES DAYS ON MARKET



Sold count has seen it's largest quarter in over 14 years! Active 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 staying as low as they are, the competition is worth the effort.

Purple = Jan '20 - Dec '20 Yellow = Jan '21 - Dec '21

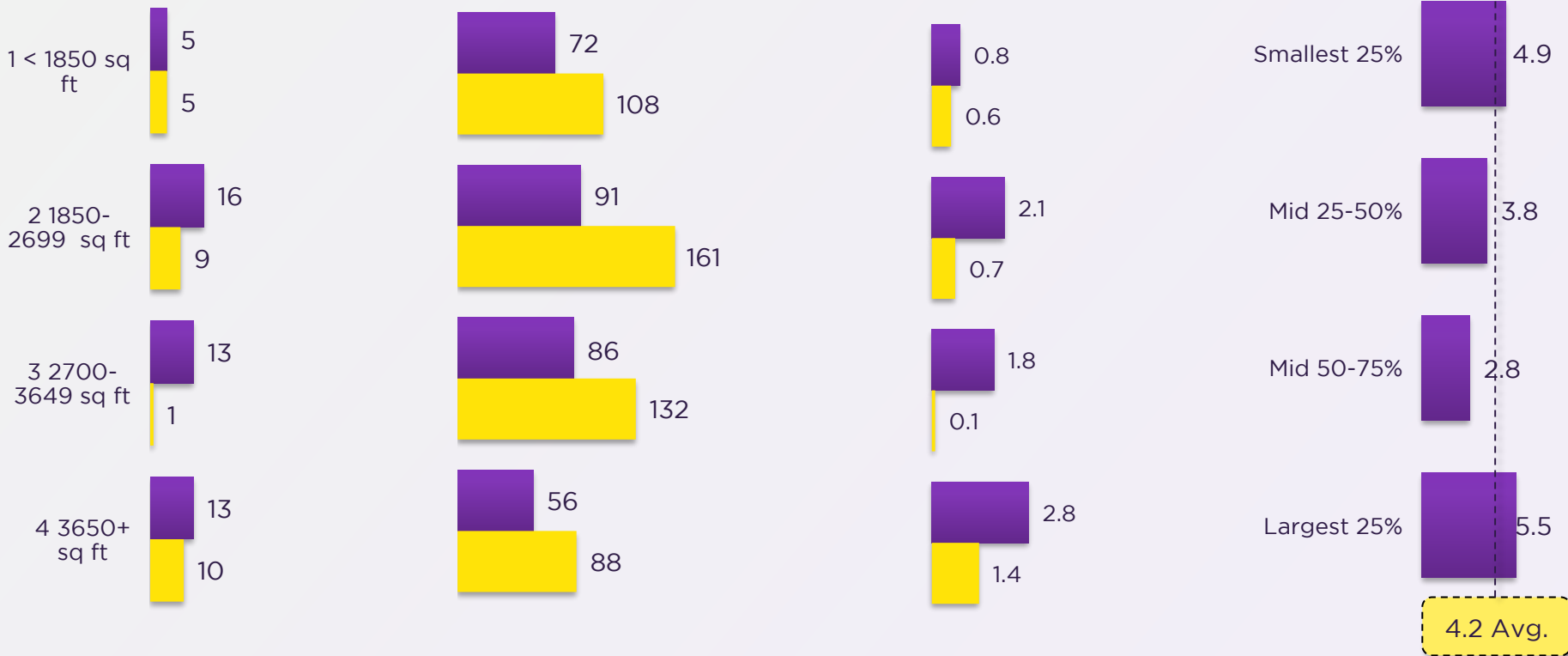
**DENVER METRO - INCOME PROPERTIES**

**# Active Listings Q4**  
Jan '22 v Jan '21

**# Sold Listings**  
Jan '20 - Dec '20 v  
Jan '21 - Dec '21

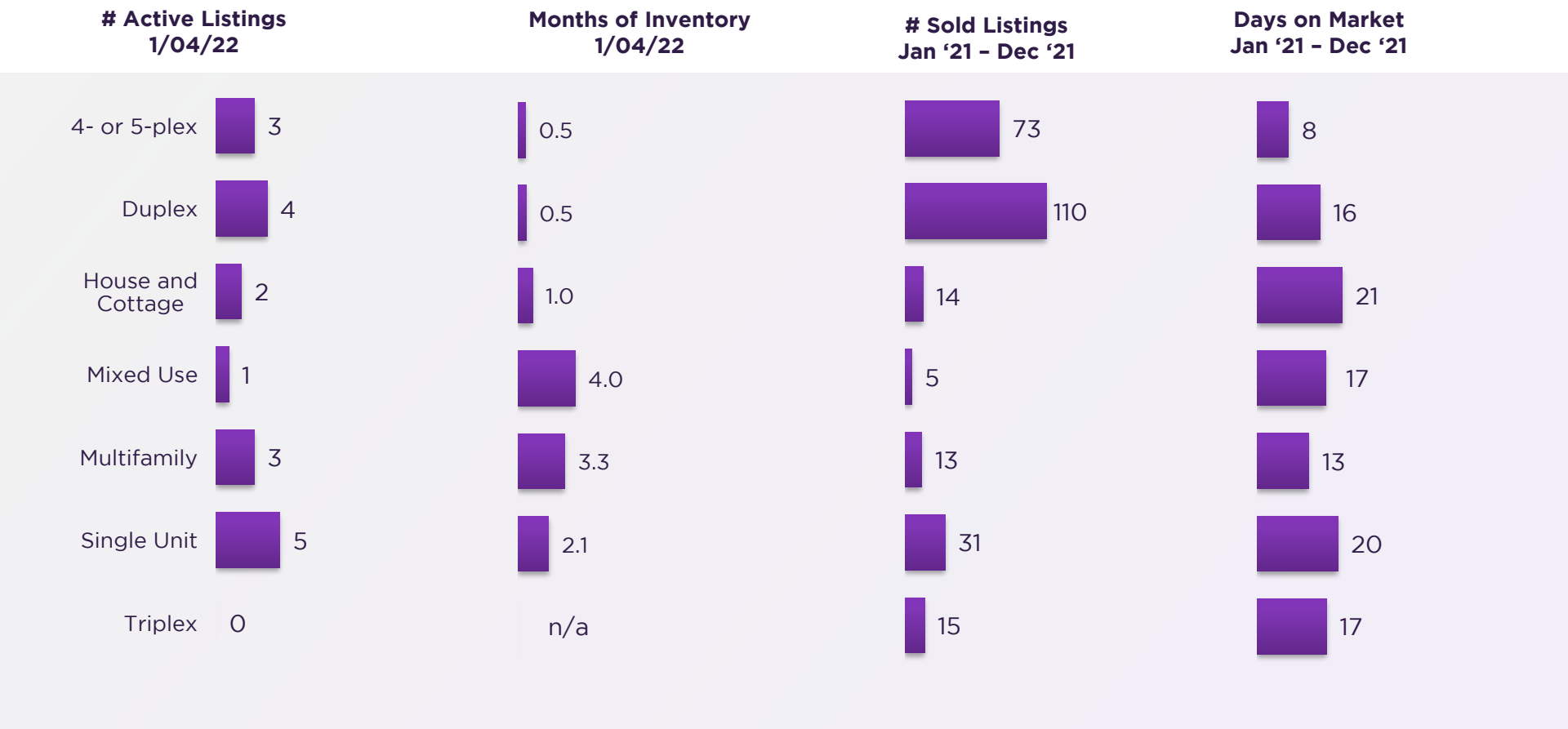
**Months of Inventory**  
Jan '22 v Jan '21

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



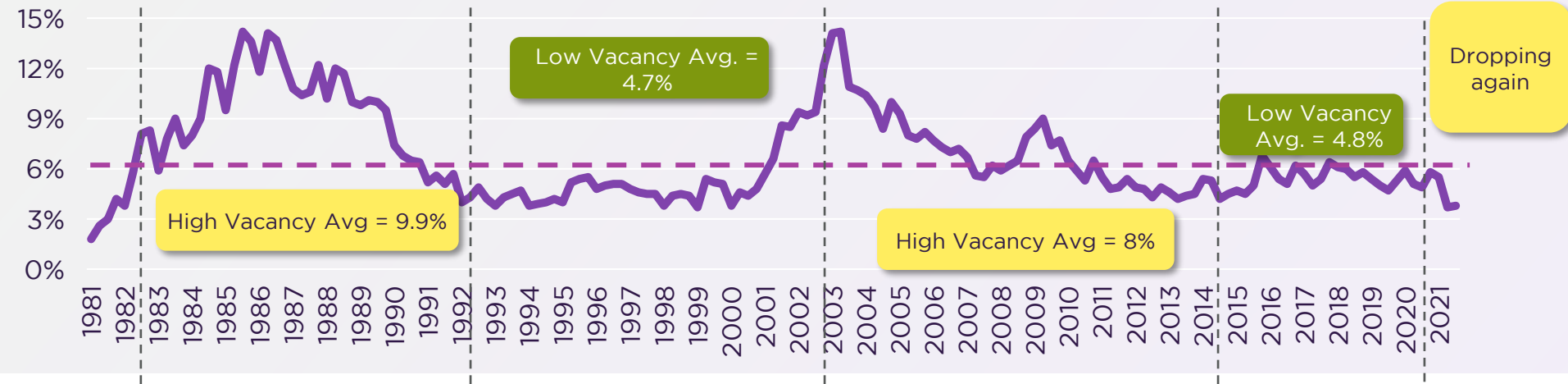
Duplexes and fourplexes are the most prevalent income property sales. They respectively have the lowest MOI of the property types that have active listings. Since so few house/cottage, mixed-use, and MF properties are sold per quarter, statistics for these properties is incredibly skewed due to so few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

**COLORADO SPRINGS - INCOME PROPERTIES**

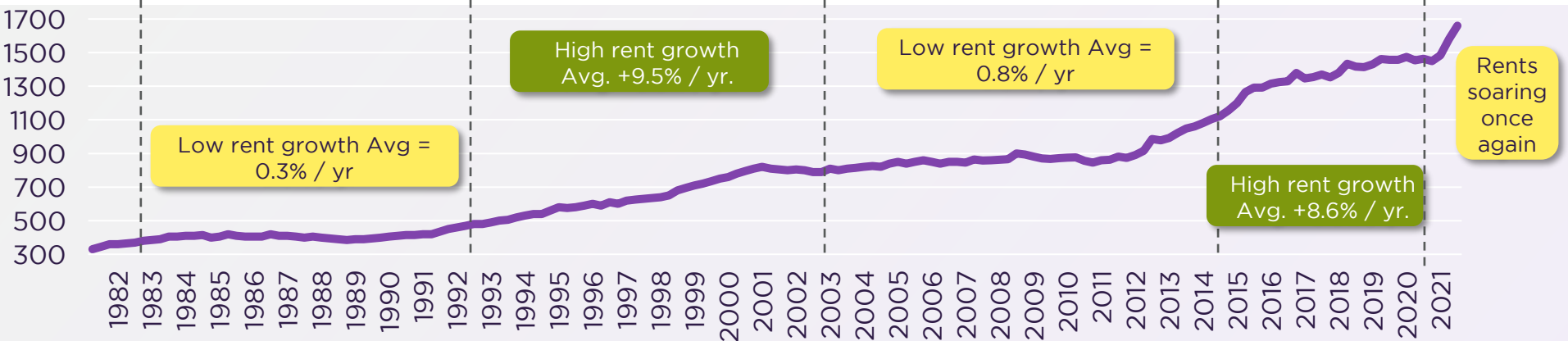


When Denver rental vacancy is below 6%, we generally experience rent growth; currently at just 3.8%! 1981-2021 average rent growth was 4%. (5+ unit Apartment data). 2012 to 2017 averaged 8.6% average annual rent growth. It had started to slow during COVID, but up 13% year over year!

## VACANCY RATE BY QUARTER % (5+ UNIT BUILDINGS)

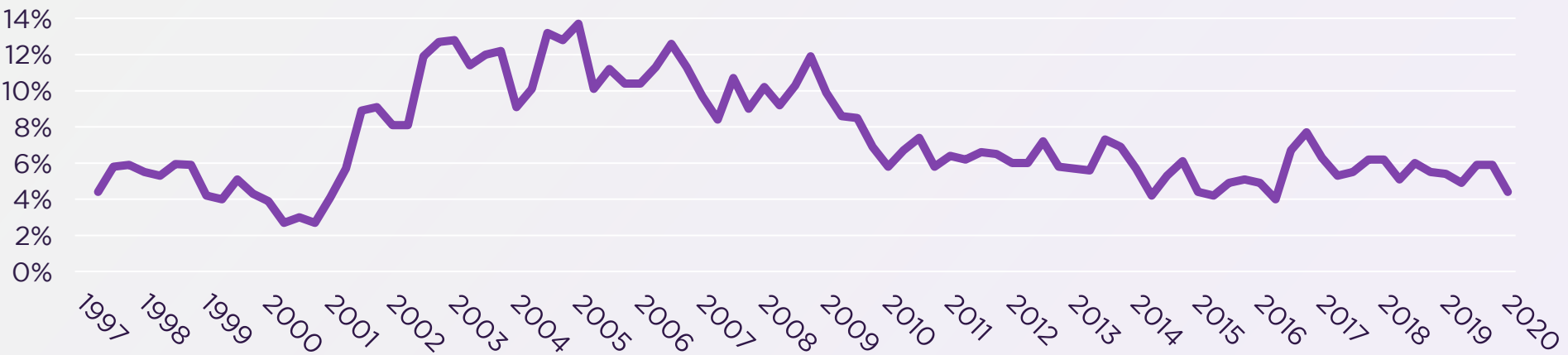


## MEDIAN RENT BY QUARTER (\$) (5+ UNIT BUILDINGS)

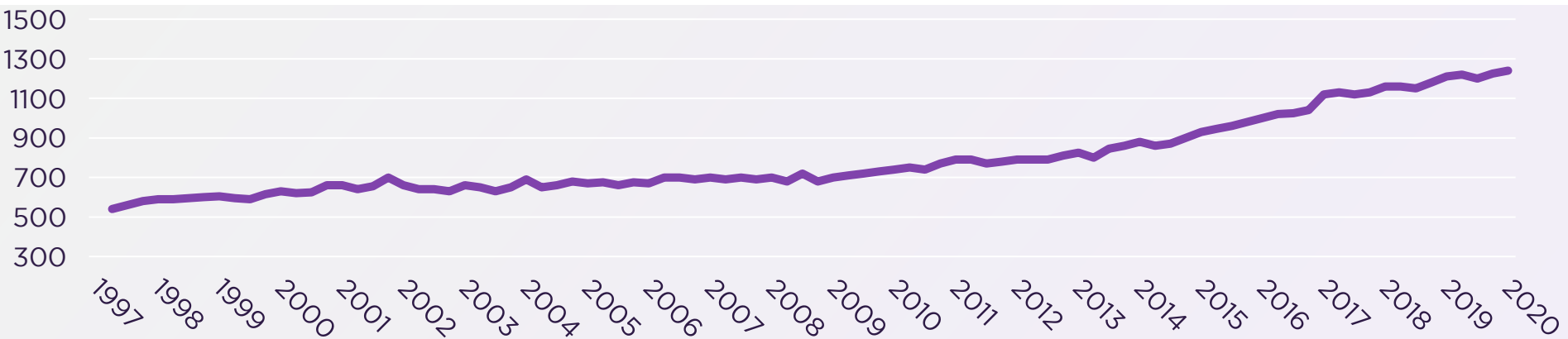


The Colorado Springs Metro Area closely follows the same pattern of Metro Denver. Vacancy rates rose during the housing boom of the early 2000s and has averaged 7% since 1997. Average rents are currently around \$1,240 and have grown at 3.9% per year.

## 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.

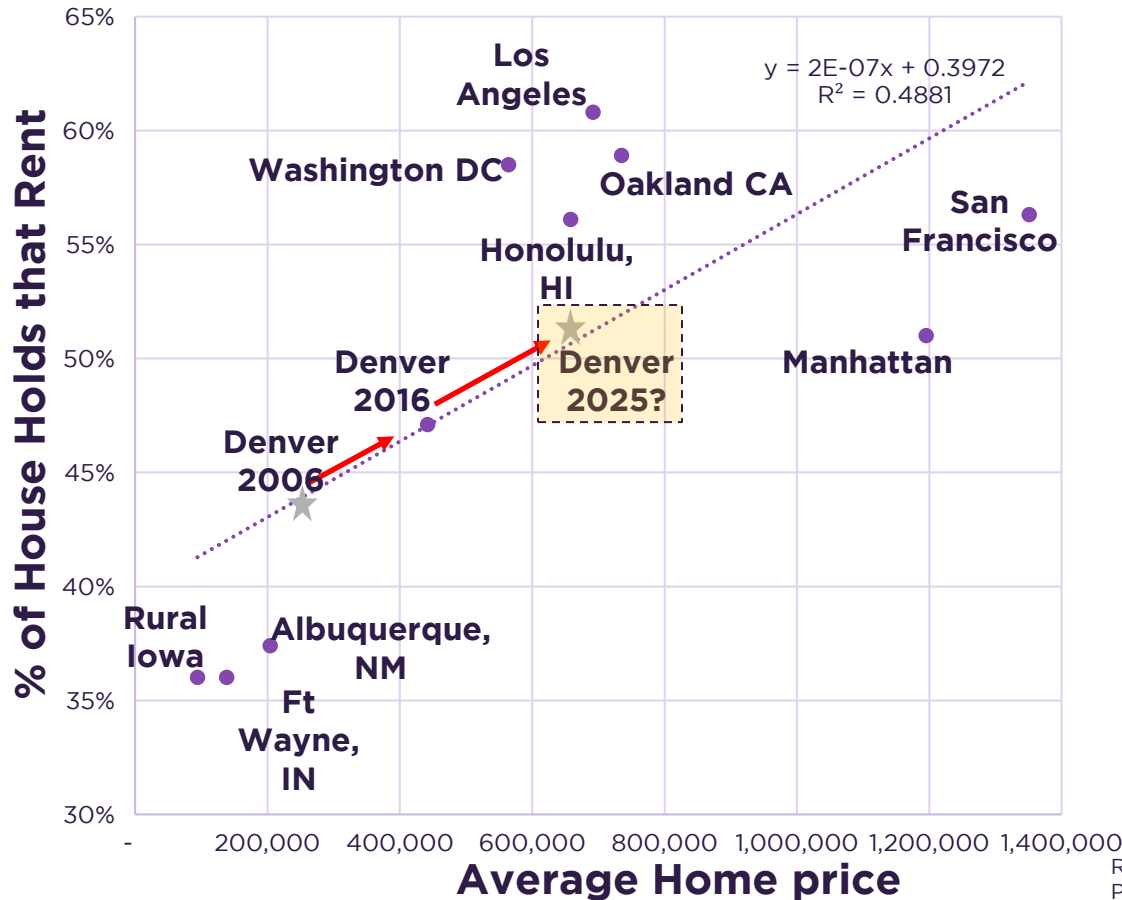
## 30-YEAR RELATIONSHIP BETWEEN OCCUPANCY AND RENT GROWTH





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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