YOUR CASTLE
REAL ESTATE

1st QUARTER 2022 RESIDENTIAL TRENDS: DENVER

WHO IS YOUR CASTLE?

Your Castle Real Estate was started in 2004 and has grown to become the largest independent brokerage on the Front Range, according to the Denver Business Journal (DBJ). With over 750 agents in 6 offices, we sold over $3 billion of real estate in 2021. We have also appeared in local and national publications, including recent awards from the DBJ and the 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 annually gave over $175,000 in charitable donations. 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

REALTRENDS THE TRUSTED SOURCE

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

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

coloradobiz

Best of Colorado 2017
Best Residential Real Estate Agency

As Seen In...

9NEWS, Money, inman NEWS, 5280 THE DENVER MAGAZINE, COLORADO PUBLIC RADIO, CASA MAGAZINE, THE DENVER POST, abc 7

KEY MESSAGES FOR HOMES AND CONDOS

METRIC	COMPARISON	HOME	CONDO	OBSERVATIONS
Average Sale Price	1Q21 vs 1Q20: 2Q21 vs 2Q20: 3Q21 vs 3Q20: 4Q21 vs 4Q20: 1Q22 vs 1Q21:	+19% +18% +16% +14% +16%	+10% +9% +16% +14% +17%	**From 1971 to 2018, price growth averaged 6% per year.** More recently, prices grew an average of 7.4% annually in 2014 - 2020. Growth during the height of the COVID pandemic was flat but bounced back quickly. Strong appreciation continues in 2022. We're expecting 7-10% appreciation in 2022. Appreciation should start to slow down in 3Q.
MOI (Months of Inventory)	04/01/21: 07/01/21: 10/01/21: 01/01/22: 04/01/22:	0.3 0.3 0.5 0.6 0.4	0.8 0.5 0.5 0.6 0.4	MOI has been relatively stable for several years – very much in the favor of the seller. There is a normal level of seasonal variation. 2022 started with inventory at thirty-year lows! We don't anticipate meaningful improvement until fall of 2022 at the earliest.
Under Contract (UC)	04/01/21: 07/01/21: 10/01/21: 01/01/22: 04/01/22:	2,625 3,935 4,586 4,212 3,679	1,753 2,257 2,371 2,229 1,953	UC is a good leading indicator of closed sales volume. As anticipated, we had strong sales volume into the second half of 2021. The Pending Sales rate has decreased slightly. We'd anticipate 2Q22 sales count to be under 2Q21 as a result.
Number Sold	1Q21 vs 1Q20: 2Q21 vs 2Q20: 3Q21 vs 3Q20: 4Q21 vs 4Q20: 1Q22 vs 1Q21:	+2% +20% -11% -9% -2%	+16% +28% -8% -7% -13%	Real estate was hit hard in 2Q20, but recovered just as quickly, resulting in higher than usual sales, setting records for 3Q and 4Q 2020. Sales appeared to have incredible growth in second quarter '21, that is because it is being compared to 2Q 2020– the depths of the pandemic. We've had negative sales count growth the last two quarters – as you'd expect as the market returns to a "normal" pattern.
Inventory	04/01/21: 07/01/21: 10/01/21: 01/01/22: 04/01/22:	912 1,618 2,046 712 1,147	754 871 1,006 436 531	Inventory has been incredibly low for both homes and condos. Inventory is tighter than this time last year. Buyers are still very willing to put in offers. We anticipate the number of offers per listing will slow down in 2Q22. By late 3Q22 the competition for buyers should ease quite a bit.

Data Source: Recolorado.com; YCRE analysis

Clients always want to know how the market's doing. Start by giving them a historical context of the Denver market.

Important points:

- The average priced home in metro Denver in 1971 was $27,000!
- On average, home prices rise 6% per year, just a bit above inflation.
- Homes have gone up in price all but 4 years in the past 44 years! So, just because we're at record high prices DOESN'T mean prices have to fall next year. People who say that are wrong 90% of the time!
- "Experts" love to talk about a 7-year cycle. However, do you see one on the chart? Prices rose from '71 to '87 (16 years). They held about steady for 4 years. Then rose for another 16 years. Then dropped for 3 years. Note how large the 2006 – 2009 drop was.
- Currently, prices have been rising for 12 years.
- Prices rose 16% for detached homes in the past 12 months.

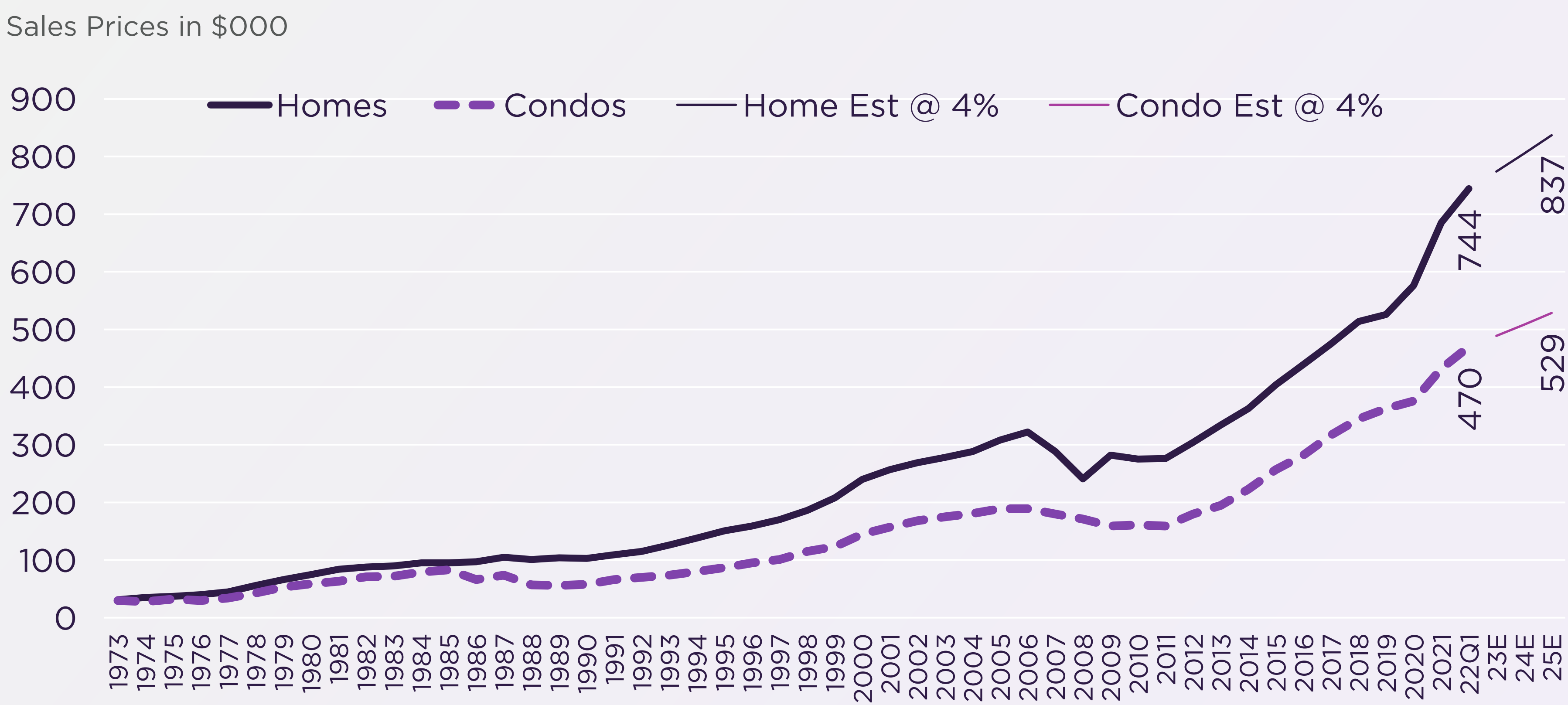
What does it mean for the client?

- It's important for clients to understand the market and prices move in long waves. It's hard for them to appreciate this in a 24/7 news cycle era.
- Stay informed on articles on Zillow and the New York Times but don't get too caught up and make a flash decision based on them.
- Look at the long-term trends to best understand the market and how it can help them make their decisions.

Homes and condos appreciated at 6% annually over the past 45 years (1974-2018). Condos weren't as affected by the 2008 recession as homes were. Around 1986 the desire for single-family homes began to outpace condos.

In the past few years, annual appreciation has been over 10%. That's not sustainable. We expect the appreciation in the next few years to be positive, but below 6%. This forecast for '23-'25 assumes 4% appreciation those years.

DENVER METRO PRICE APPRECIATION (HOMES VS CONDOS)



Data Source: Recolorado.com; YCRE analysis

Inventory levels of homes.

- On the left side of the chart:
  - The solid line on the top of the chart is the number of homes and condos for sale, from 2008 to today.
    - Notice the line is very high in 2008, due to LOTS of bank foreclosures.
    - Buyers didn't buy as much during the downturn due to the scary media headlines and job loss.
    - As a result inventories were high.
  - The dotted line on the bottom shows the number of homes sold each month
    - Notice its been trending upwards.
    - This was caused by an improving economy and growth in the population.
  - Note more homes are sold in the summer than the winter
    - Investors buy consistently all year.
    - Families with kids in school prefer to move in the summer.

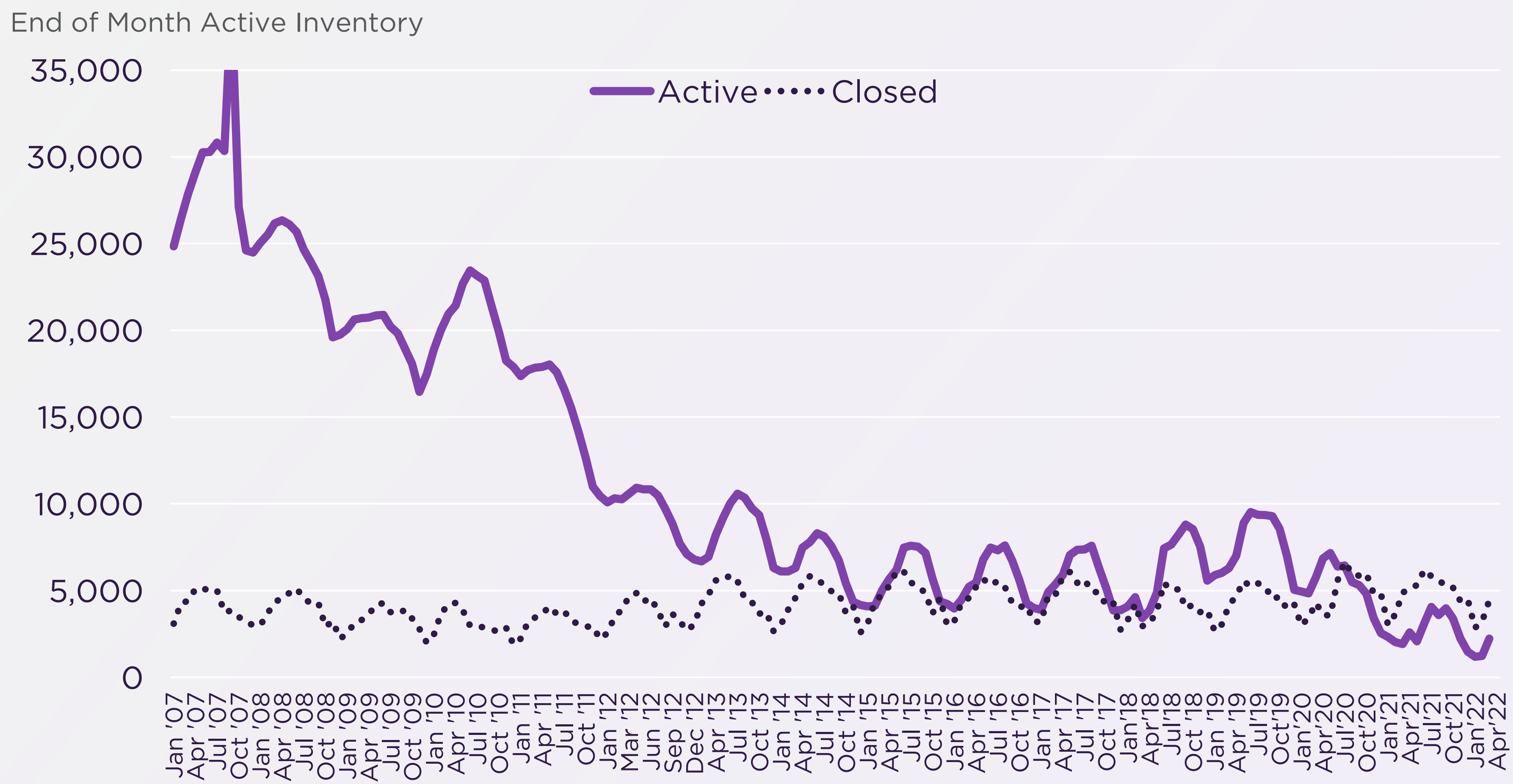
- On the right side of the chart
  - Notice that the number of sales is about the same as the number of homes for sale.
  - There's very little inventory and it's competitive for buyers.
- Other observations
  - We didn't arrive in this low inventory situation overnight. It took almost a decade to burn off all of the excess bank inventory.

What does it mean for the client?

- As long as the inventory is tight
  - Buyers will have to compete hard (write great offers) to win a home.
  - Sellers will generally have the edge in negotiations

Inventory levels of homes and condos available for purchase had been growing in 2019, but dropped again throughout 2020. Throughout 2021, the sold properties have been greater than total available homes for sale in each respective quarter. Inventory is at a NEW record low! We think we're at the bottom and inventory will grow.

DENVER METRO (HOMES, CONDOS AND TOWNHOMES)
INVENTORY (TOP LINE) AND MONTHLY SALES (BOTTOM LINE), 2007-2021

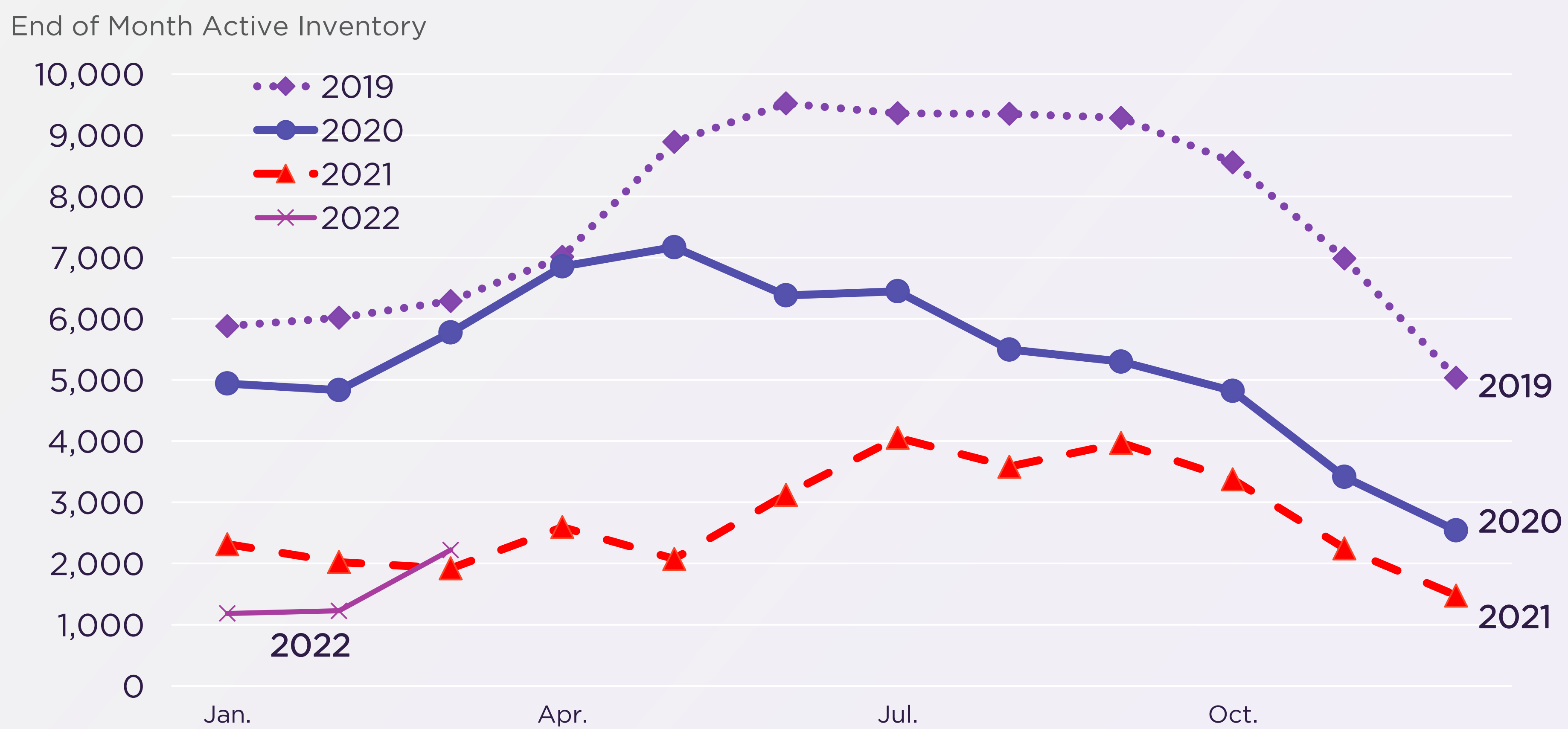


Data Source: Denver Metro Association of Realtors: DMAR Market Trends Reports (11 County Metro Area)

ACTIVE LISTINGS BY YEAR

Inventory levels have been steadily declining. 2021 has seen the lowest inventory levels in years! Inventory is scarcest, and therefore has more competition, during the first quarter of each year. Average year end December inventory should be 12,000 units.

DENVER METRO (HOMES, CONDOS AND TOWNHOMES) ACTIVE SALES PER MONTH

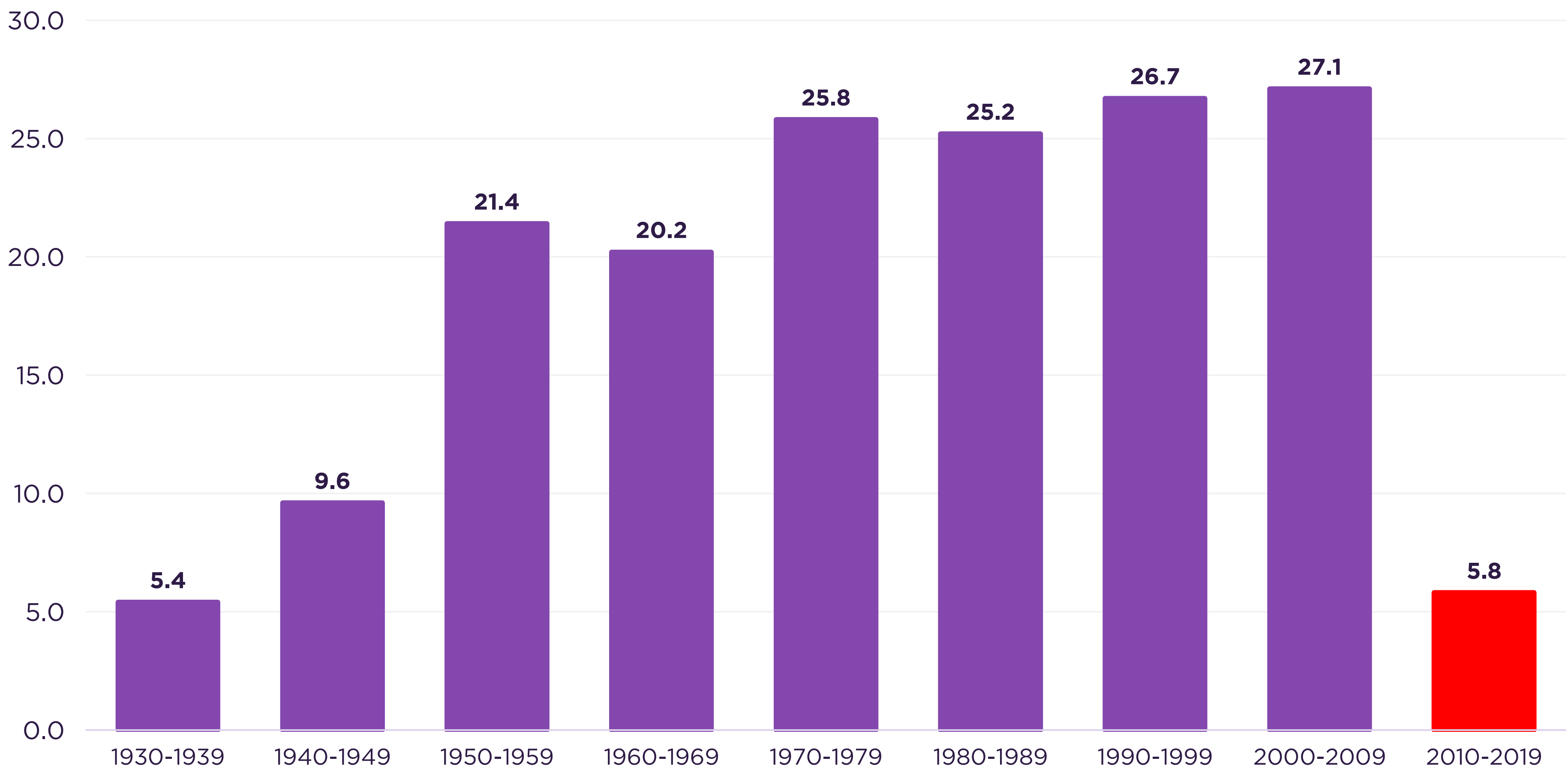


Data Source: Denver Metro Association of Realtors: DMAR Market Trends Reports 2020 (11 County Metro Area)

HOME BUILDS IN THE UNITED STATES

Why is the inventory so low? Denver has experienced strong population growth in the past decade, but almost no additional inventory from new home builders. Builders are limited by high costs for land, water taps, labor, and materials. We don't anticipate a boom in construction. As a result, inventories could remain low for several years.

HOMES BUILT IN THE US, BY DECADE (IN MILLIONS)



Data Source: Keeping Current Matters, Robert Frick, NFCU

Months of Inventory (MOI) is a great metric to track the strength of the market. It is the measure of how long it would take for all the properties on the market to be sold if no more inventory came on the market.

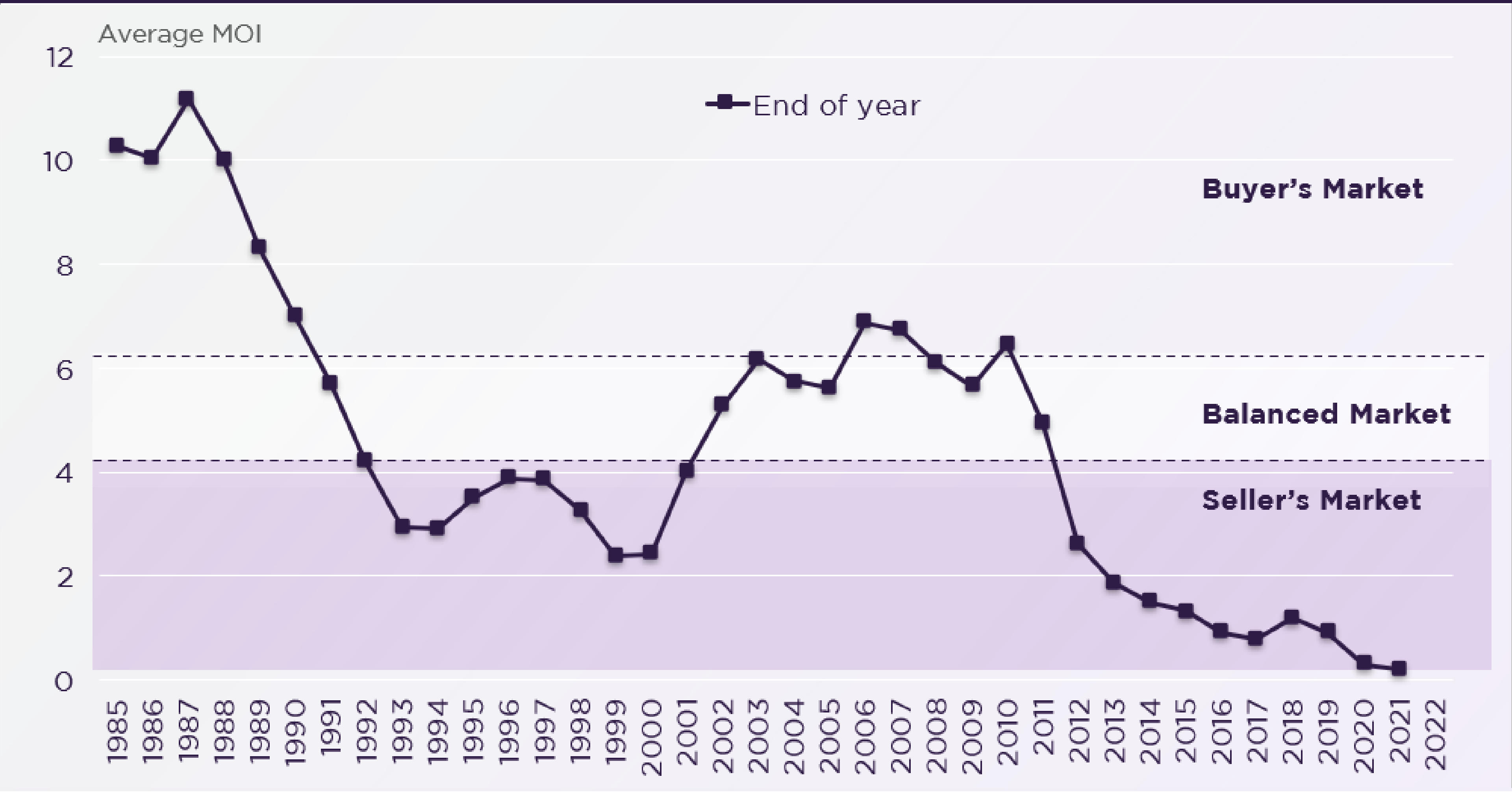
- For e.g., if one home is selling per month in a certain neighborhood and there are currently 6 homes on the market, there would be 6 MOI in that neighborhood. (Note that Six MOI = 90 days on market.)
  - MOI was high in the mid to late 80's, reflecting our slow Denver market at that time.
  - As the market strengthened going into the 90's the MOI plummeted. During the 90's MOI was under 4, a strong seller's market.
  - MOI began increasing in 2001 and leveled off around 2004 at 6-7 (buyer's market).
  - As the market began to strengthen after our downturn in 2007 – 2009 the MOI went down quickly. This indicates there are more buyers than sellers, and housing inventory is not keeping up with housing demand. This is where we are currently in the market.
  - We have way more demand for homes than we have supply, so prices are going up.

What does it mean for the client?

- It is critical for your clients to understand the market in order to make correct decisions.
- Low MOI means a strong sellers' market with all that implies:
  - Multiple offers
  - Picky sellers
  - Buyers need to have their act together with strong contracts and pre-qual letters, etc.
- Sellers: use this to help show your sellers how strong the market is to list.
  - Educate them on the difference between a buyer that is pre-approved vs. pre-qualified, and that not all offers are equally strong.
- Buyers: educate serious buyers on how to be a strong buyer.

We have been through tight inventory in the past (1993-2000). MOI in Q1 ended at just 0.4 – nearly non-existent! We haven't seen one full month of inventory in over 15 months.

MONTHS OF INVENTORY (MOI) DETACHED SINGLE FAMILY



Data Source: Recolorado.com; YCRE analysis

Average Number of Showings/Active Listing/Month is a great way to get insight on the strength of the market.

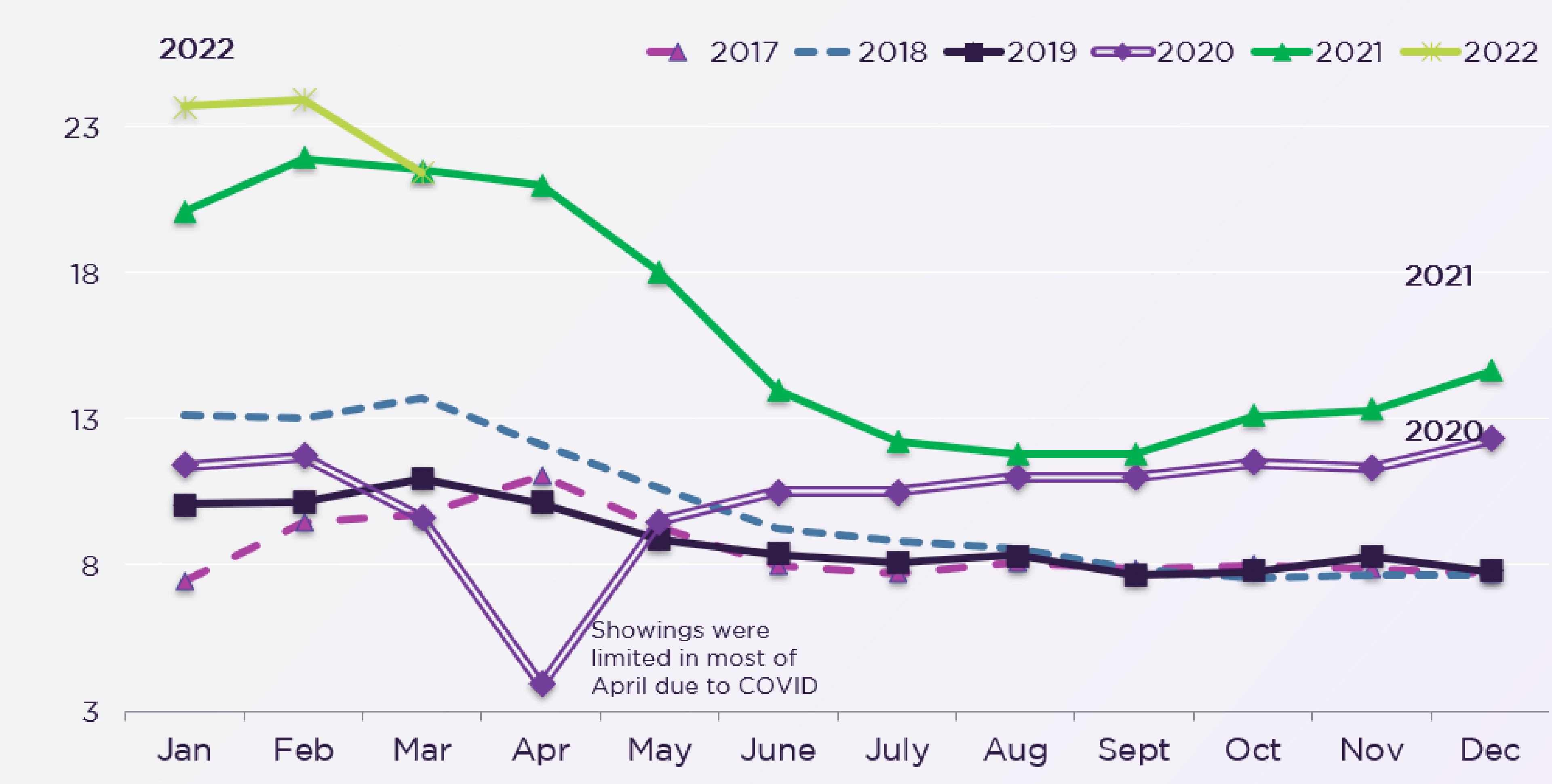
- For e.g., let's say a town has 10 listings and there are 100 showings in January. Then 100/10 = 10 showings/listing/month. The higher the number the:
  - More showings there are, and/or
  - The fewer listings there are
- So, the higher the number the stronger the seller's market.
- So when clients ask "how the market is", show them the most current version of this graph so they can look forward a couple of months in the market.
- You can see the strength of the market the past few years as the number continued going higher and higher as more buyers looked for homes and fewer homes were on the market.
- When this number begins dropping it will indicate a slowdown in the market, just as the opposite indicated a speed up.
- As you can see, showings hover right around 8 per month from July – December.

What does it mean for the client?

- When the number is relatively high it is a seller's market as it is now. The numbers have skyrocketed the past few years as more folks are looking for homes (demand) than selling homes (supply).
- A balanced market is in the range of 10. We hit 23 the spring of '15!
- While the last three years had some variation in the first half of the year, listings have an average of 8 showings from July to December.

2021 ended with a surprising leap in trends, with numbers being well above previous years. Listing agents are thrilled with December's outcome and look forward to a new year! Buyer's agents need to continue to fight to get clients under contract.

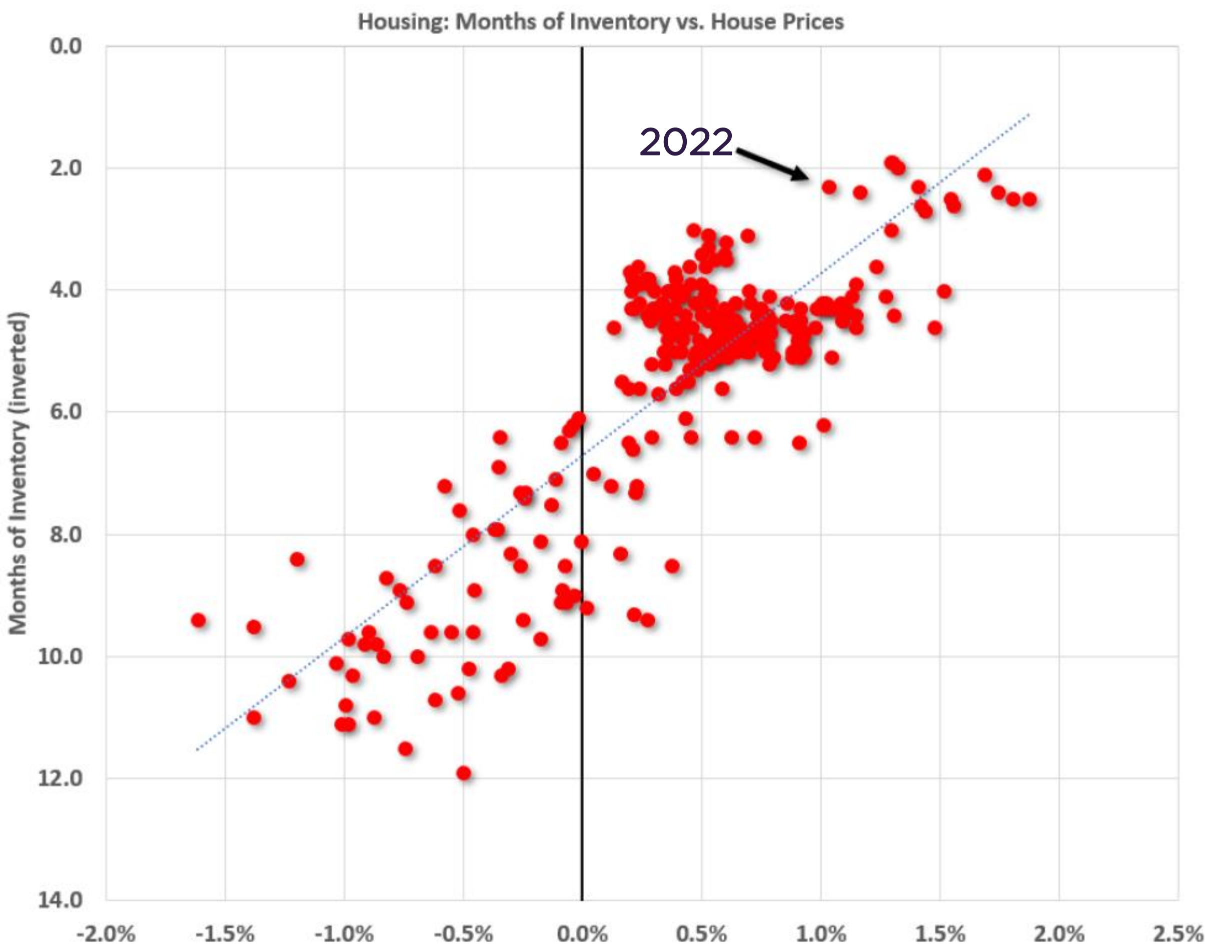
SHOWINGS / ACTIVE LISTING (HOMES + CONDOS)



Source: Denver Metro Area Your Castle Real Estate statistics from Centralized Showing Service

Existing inventory is *very* low, causing home prices to rise *very* fast. This chart shows that when the MOI is small in a given month (Y-axis, on the left), the price change that month (X-axis, on the bottom) is larger. MOI strongly influences appreciation rate.

DENVER METRO HOMES DAYS ON MARKET, QUARTERLY

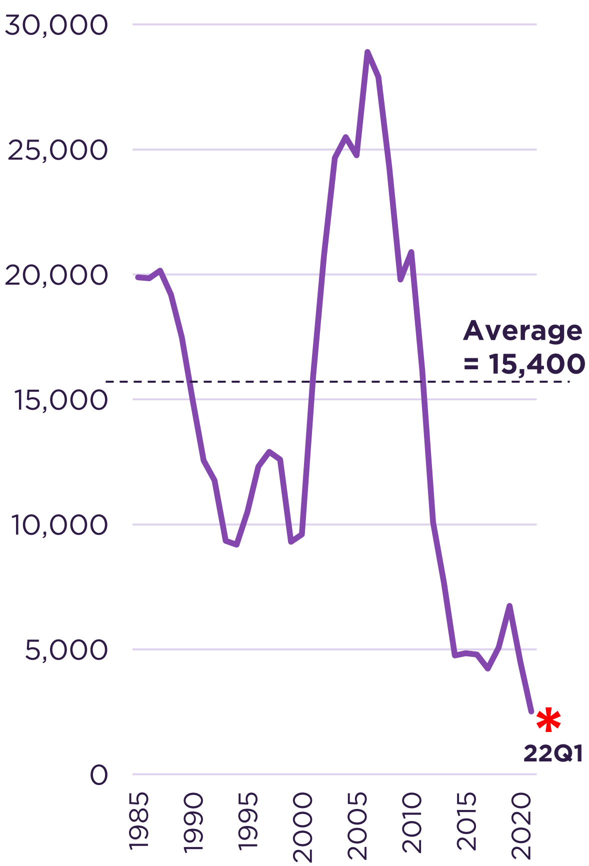


Data Source: Case-Shiller National Index, House Prices MoM. www.CalculatedRiskBlog.com

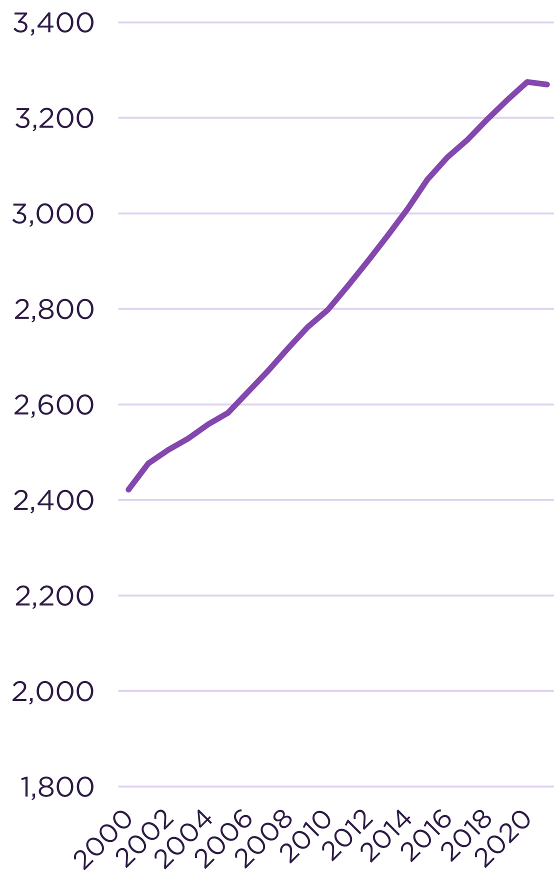
Will population growth affect my ability to buy or sell?

The number of homes active on the market, relative to the population, is at the **lowest level ever**! The inventory is just 12% of the historical long-term average.

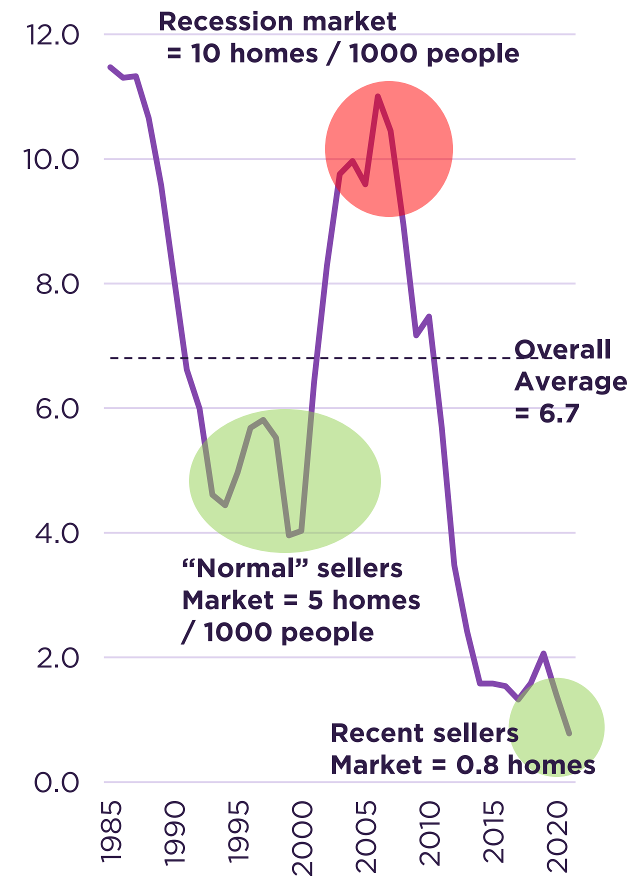
INVENTORY OF HOMES IN METRO DENVER



POPULATION OF DENVER METRO
Thousands of people



INVENTORY OF ACTIVE HOMES per 1000 people in Denver metro



Source: MetroDenver.org, Denver Chamber of Commerce, Metrolist, Your Castle

Performance of different sized homes.

Let's look more closely at different price segments of home sales.

- This chart breaks sales down into the sizes of homes: under 1,000 sq. ft. (smallest 10%), 3,000+ SF (biggest 10%) and four buckets in between.
- It looks at the metrics for each size bucket so you can accurately assist your clients much more in making buying and selling decisions.
- Instead of just looking at neighborhood or type of home or price range we can get right down to the size of the home.
- For e.g., if your client is looking to buy a 1,700 sq. ft. home, you'd look at segment 3. 1325-1799 sq. ft.
    - You see that DOM is 9, there's only 0.2 MOI, prices have risen 18% in the past year.
    - 70% of the properties in this size range on the MLS are ALREADY under contract.

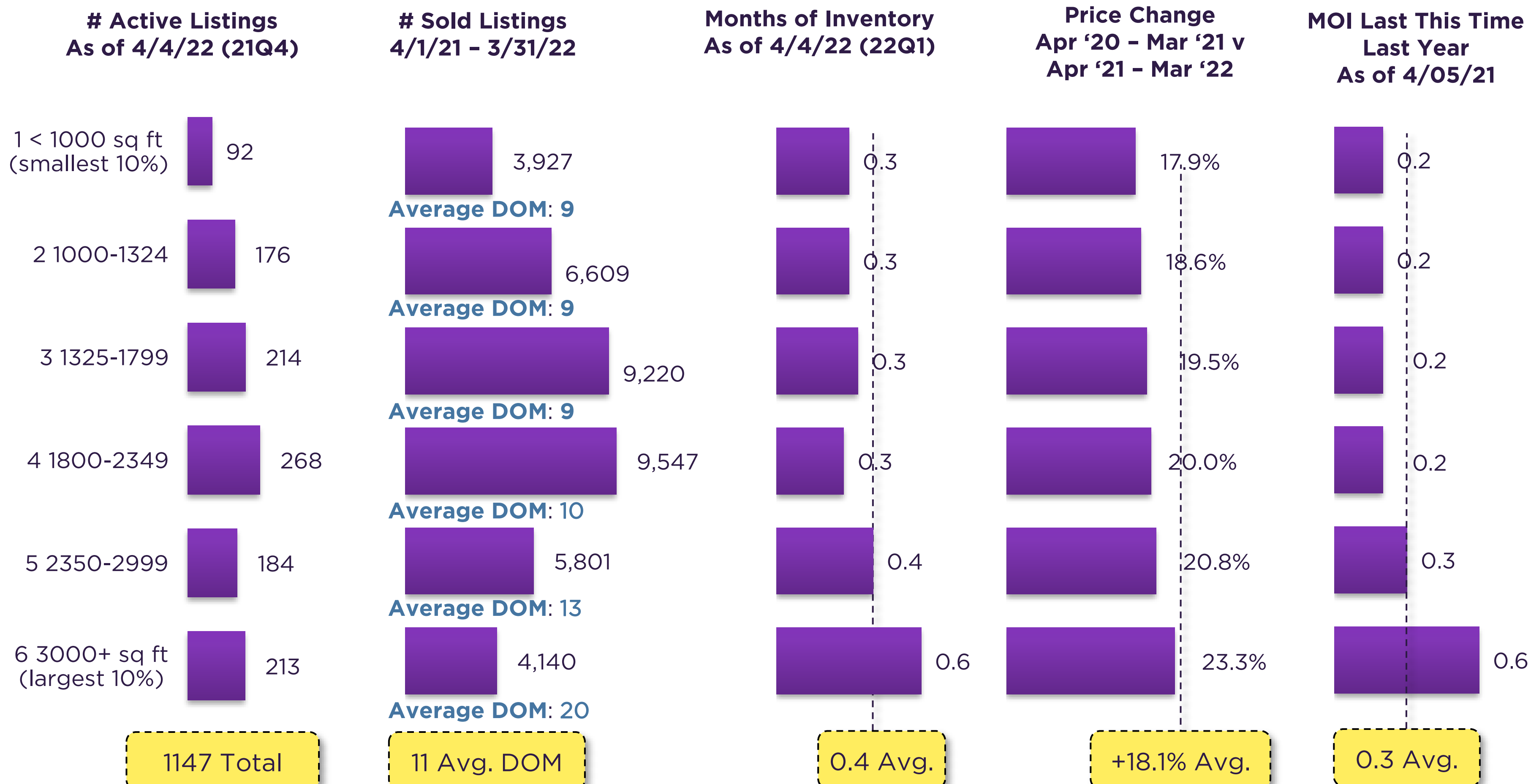
What does it mean for the client?

- It's critical for a smart buyer or seller to understand everything they can about their market, down to the size range of the property in question.
- This slide helps you provide specific, quantifiable data to your clients based on the size of their home so they can make the right decisions.
- Used in conjunction with other data like neighborhood metrics and local comps, this chart will help your clients make better decisions.

CURRENT MARKET: HOMES

Inventory has hit a new record low, *again*! The largest segment continues an incredible growth trend in sales price (25%). Further, MOI is only a *quarter* of what it was two years ago for these large properties. DOM stays incredibly low for the smallest properties and is decreasing for the larger ones.

DENVER HOMES (NO CONDOS OR TOWNHOMES) BASED ON ABOVE GRADE SF



Data Source: Recolorado.com; YCRE analysis

Condo Months of Inventory (MOI) was just 0.4 MOI on 4/4/2022; lower than what it was this time two years ago. As DOM slightly increases, the seller's market continues. Inventory lower than what it was a year ago.

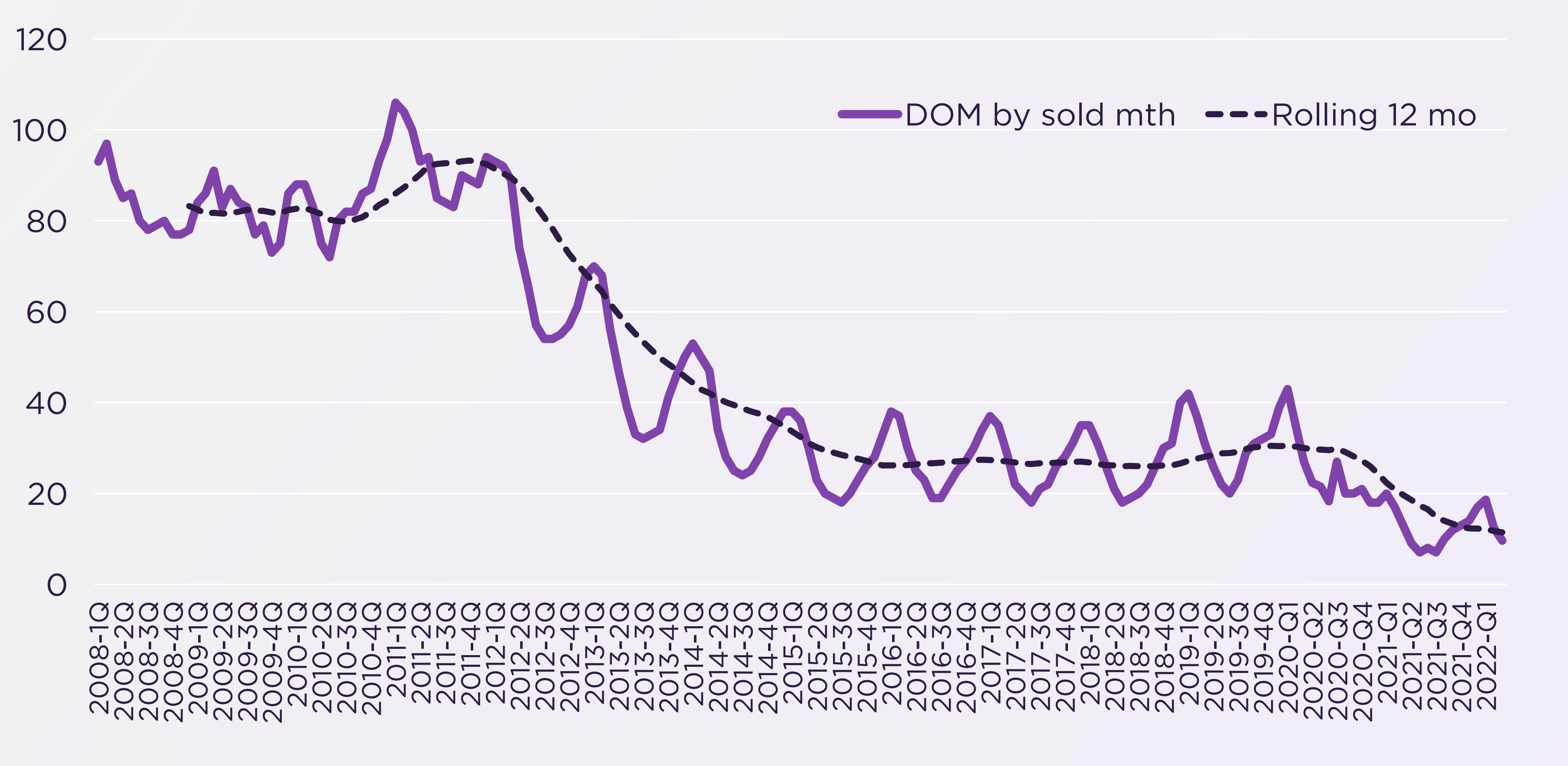
DENVER CONDOS BASED ON ABOVE GRADE SF

Data Source: Recolorado.com; YCRE analysis

DAYS ON MARKET: HOMES

Single Family Home marketing times were stable for almost four years (2006-2009). There was an increase in marketing time when the tax credit expired on 4/30/10. DOM (days on market) has declined dramatically since. We expect DOM to start gradually increasing starting in 3Q22.

DENVER METRO HOMES DAYS ON MARKET, QUARTERLY



Data Source: Recolorado.com; YCRE analysis

Everyone knows it's a sellers' market, but do all properties have the same levels of success? Regarding Premiums and Days on Market, homes are performing a bit better than condos. *Data represents sales in 2021.

CLOSE PRICE TO LAST LIST PRICE

	Homes	Condos
Bottom 25%	Sold at list price or a discount	Sold at list price or a discount
25-50%	Premium up to 2.1%	Premium up to 0.6%
50-75%	Premium of 2.2-6.5%	Premium of 2.7-4.3%
Top 25%	Sold over 6.5% premium	Sold over 4.3% premium

DAYS ON MARKET

	Homes	Condos
Bottom 25%	Sold in 3 days or less	Sold in 3 days or less
25-50%	Sold in 4 days	Sold in 4-5 days
50-75%	Sold in 5-9 days	Sold in 6-14 days
Top 25%	Sold in 10 days or more	Sold in 15 days or more

Data Source: RE Colorado, YCRE Analysis

Everyone knows it's a sellers' market, but do all properties have the same levels of success? Regarding Premiums, homes are performing a bit better than condos. *Data represents sales in 1Q2022.

CLOSE PRICE TO LAST LIST PRICE

	Homes	Condos
Bottom 25%	**Sold at list price or a discount**	**Sold at list price or a discount**
25-50%	**Premium up to 2.2%**	**Premium up to 2.5%**
50-75%	**Premium of 2.3-7.6%**	**Premium of 2.5-7.3%**
Top 25%	**Sold over 7.6% premium**	**Sold over 7.3% premium**

DAYS ON MARKET

	Homes	Condos
Bottom 25%	**Sold in 3 days or less**	**Sold in 2 days or less**
25-50%	**Sold in 4-5 days**	**Sold in 3-4 days**
50-75%	**Sold in 6-13 days**	**Sold in 5-10 days**
Top 25%	**Sold in 14 days or more**	**Sold in 11 days or more**

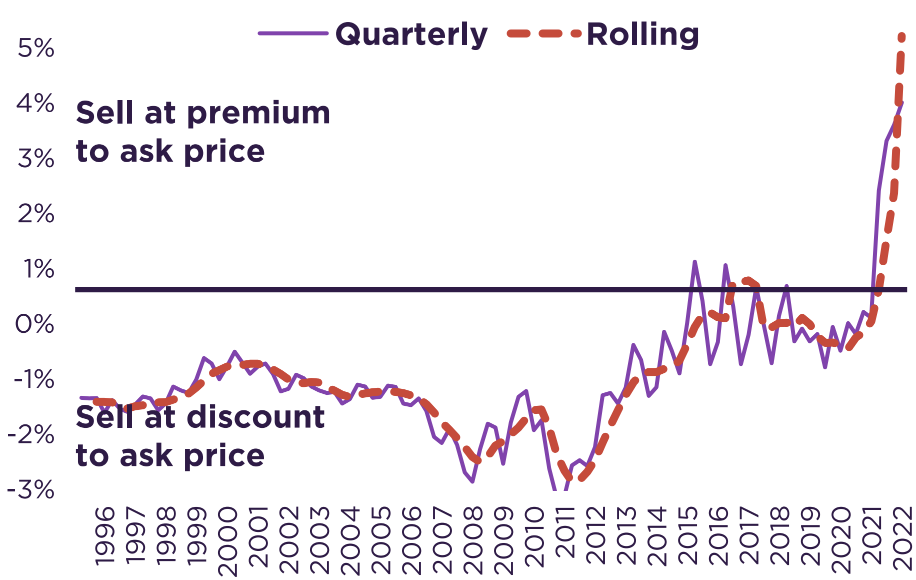
Data Source: RE Colorado, YCRE Analysis

Do discounts change over a market cycle? Should one ever "low-ball"?

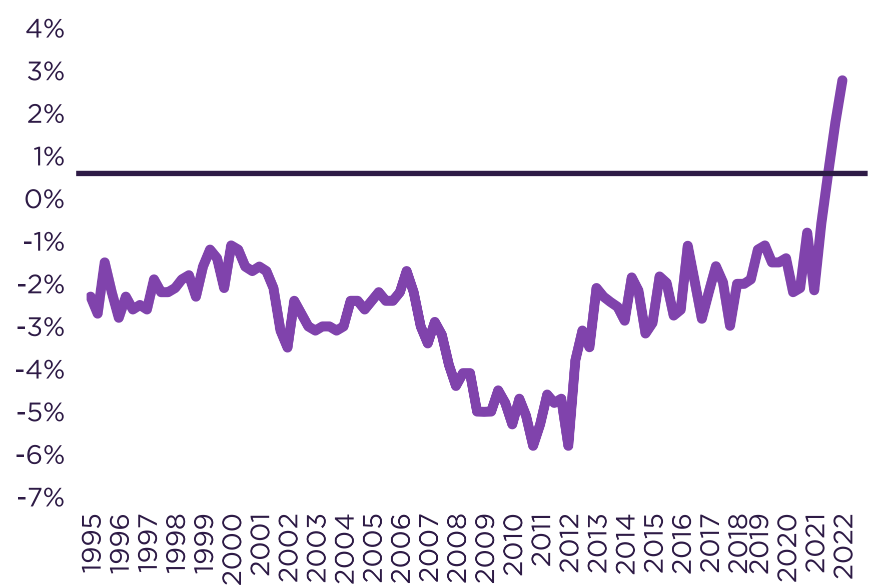
Answer: Not in this market! In a very strong market (2015 – early 2018, 2021), properties tend to sell for close to asking price or even at a slight premium. *Believe it or not, luxury homes have been selling at a premium since 21Q2!* In a very slow market (2009-2012), properties might need up to a 6% discount (luxury) or 3% discount (all others) to final asking price. As inventory increases, discounts will slowly increase. To the surprise of most sellers, buyers usually will not make an offer on an overpriced house. They just move on to the next house. Ideally, a house needs to be priced within 1-3% of final sales price to get <u>any</u> offer.

Homes only (no condos or townhomes)

DISCOUNT (ALL DSF)



DISCOUNT (LUXURY)

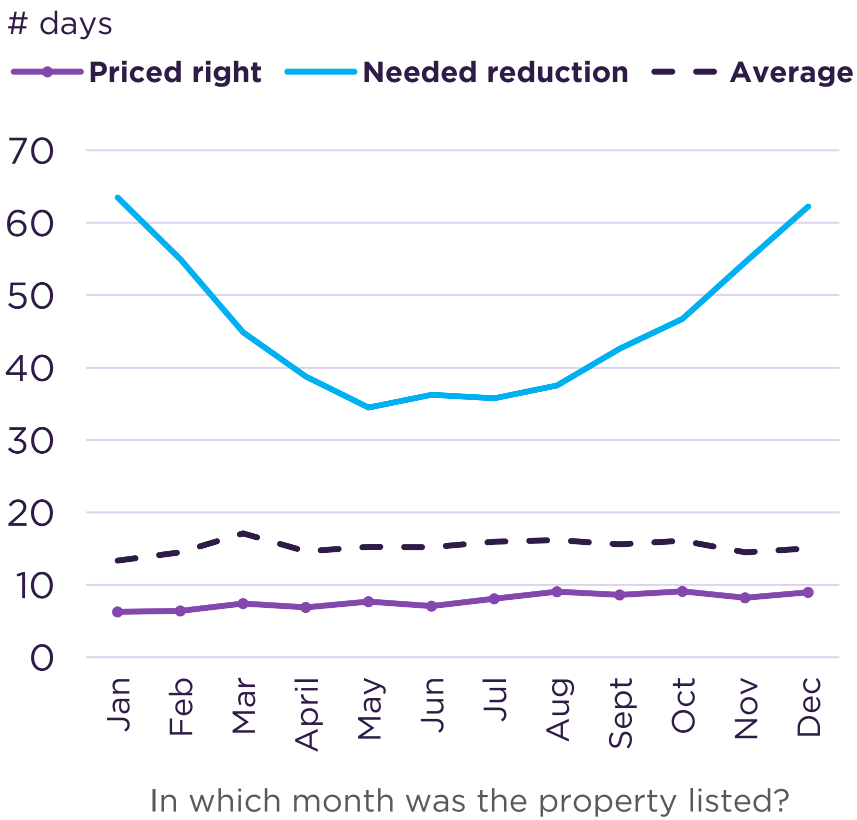


Data Source: Recolorado.com; Your Castle Real Estate Analysis

What are the dangers of overpricing?

Answer: Over the past 24 months, homes that were priced right at initial listing (e.g., did not require a price reduction) sold in just eight (8) DOM! Mispriced homes (that required a reduction) needed 46 DOM, or over FIVE times as long to get under contract.

DOM (HOMES ONLY, SIX COUNTY METRO, 1Q20 – 4Q21)



Data Source: Your Castle Real Estate analysis. Based on information from Centralized Showing Service

HOW MUCH IS YOUR HOME OVERPRICED?

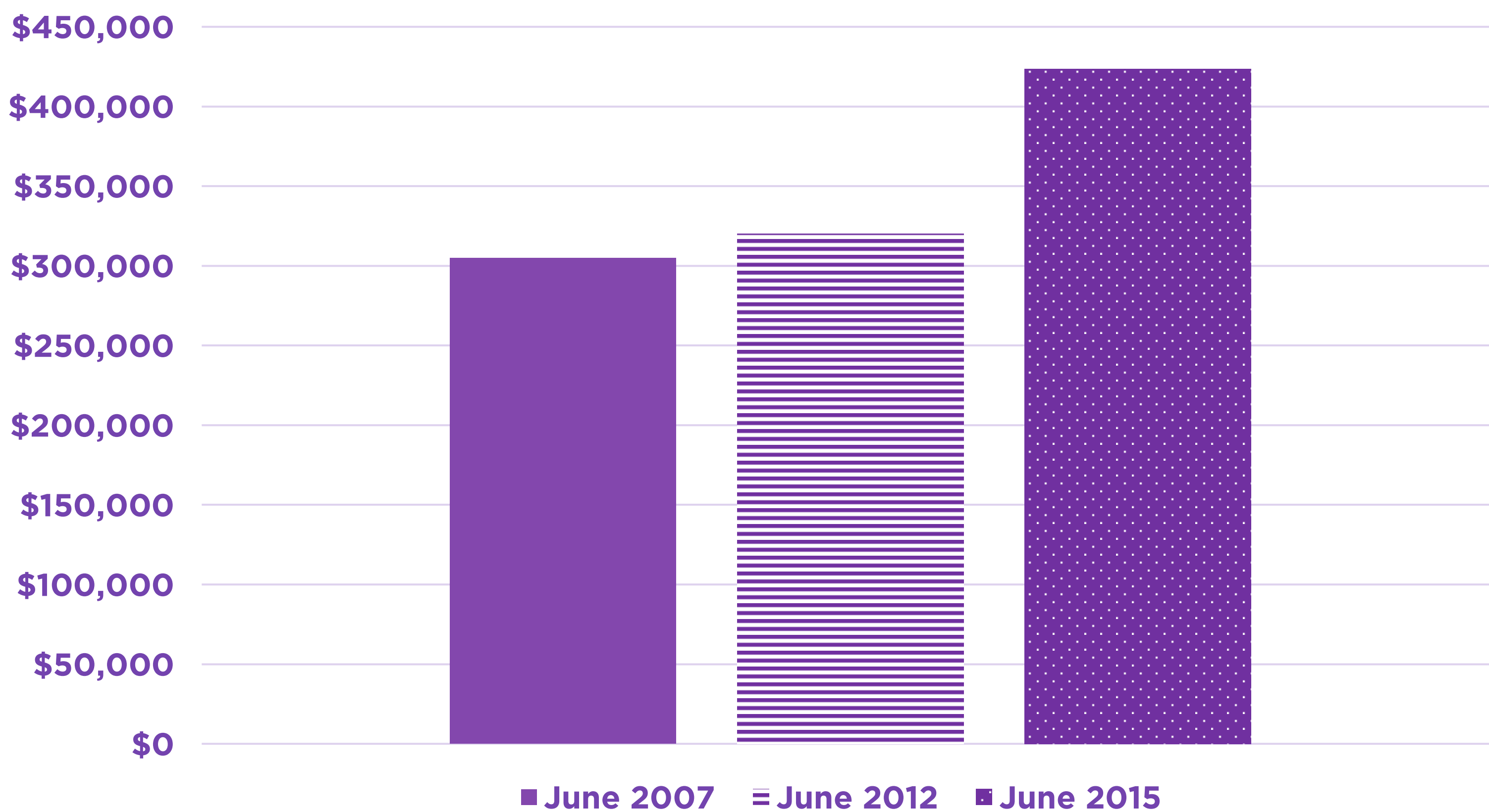
Only Drive-By's + Online Views	=	**13%** Homes with little or no showings are priced 13% too high on average
Low or Infrequent Showings	=	**9%** Homes with little or no showings are priced 9% too high on average
Showings + No Offers	=	**5%** Homes with little or no showings are priced 5% too high on average
Receiving Offers	=	**Priced Correctly**

Information based on data received from real estate agents over 20-year time period

What if you purchased a home for $305,000 in June 2007, right before the worst housing recession in Denver history?

If you held it for five years, you would actually be up by $10,000.

If you held it for a total of 8rys, your home would be worth $423,600... $112,000 MORE than you purchased it for!

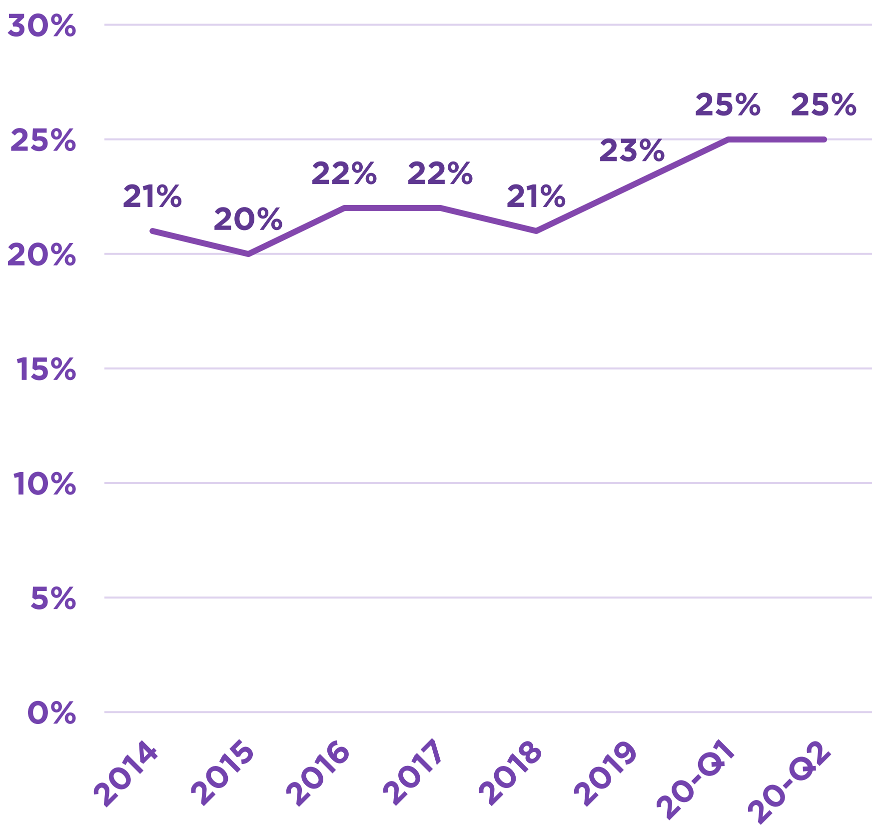


Data Source: Recolorado.com; First Alliance Title

IS MY DEAL LIKELY TO FALL OUT OF CONTRACT?

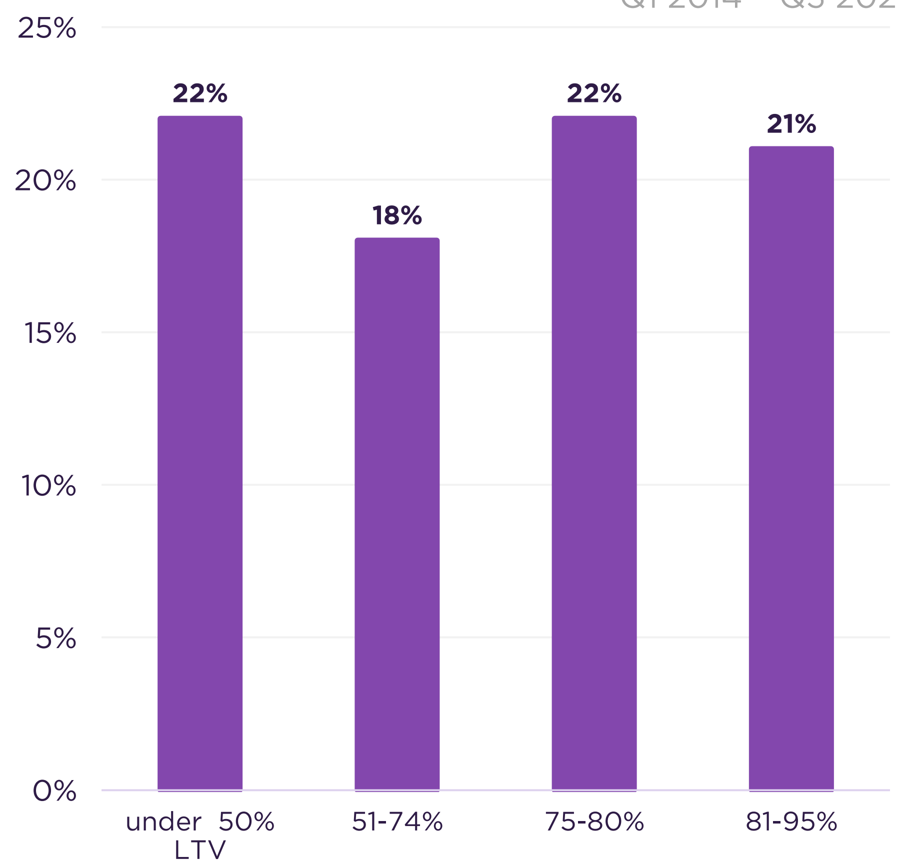
The percentage of homes that fall out of contract has remained steady around 18-25%.

% OF DEALS THAT FALL OUT OF CONTRACT IS DECLINING SLIGHTLY



LOAN TO VALUE DOES NOT IMPACT % OF DEALS THAT FALL OUT OF CONTRACT

*Q1 2014 – Q3 2020



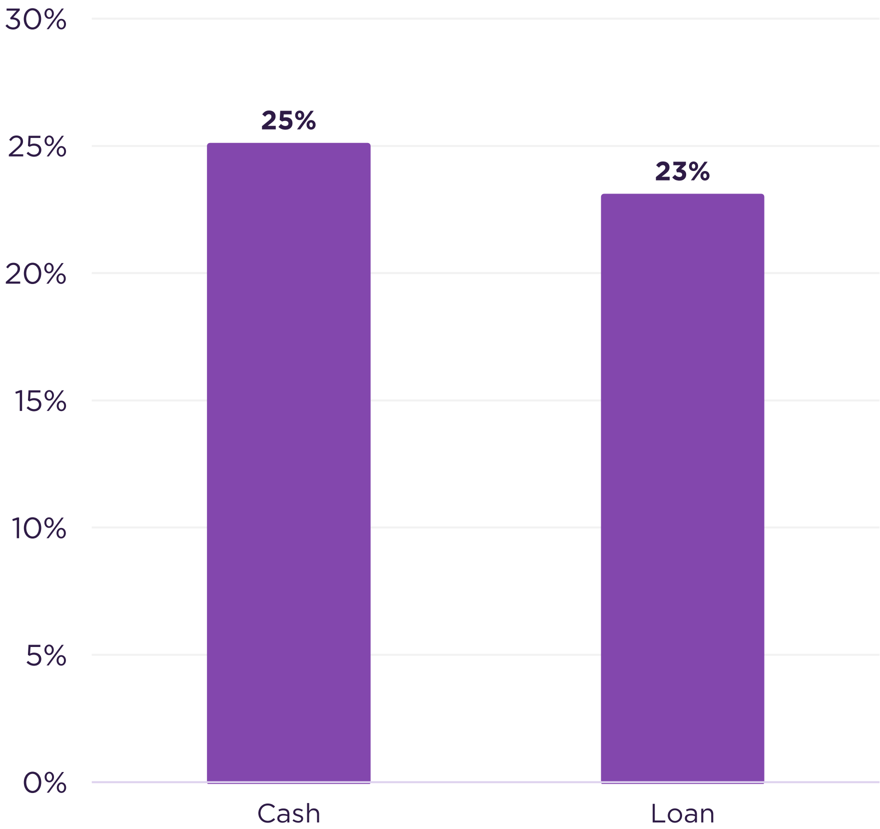
Data Source: First Alliance Title

DOES COST OR FINANCING AFFECT CLOSE RATE?

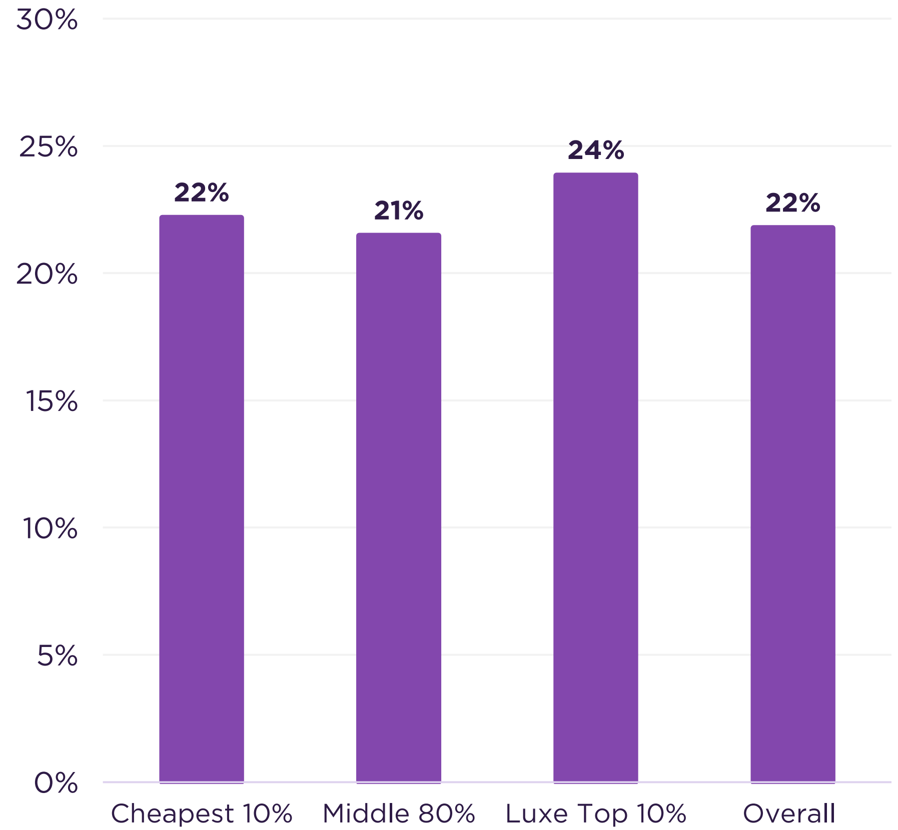
Deal financing type, and amount of LTV doesn't much impact the probability of close. Luxury properties are slightly more likely (24%) than non-luxury properties (21%) to fall out… which isn't really that material of a difference.

*Q1 2014 – Q3 2020

CONTRACT FALLOUT RATE BY FINANCING TYPE



CONTRACT FALLOUT RATE BY PURCHASE PRICE



Data Source: First Alliance Title

Denver wealth creation for first-time buyers. The Federal Reserve chart about net worth is interesting, but let's try to make it a bit more tangible for Denver.

- We'll consider several typical scenarios – this one is for a first-time buyer
- The top left looks at what that first-time buyer client might face if they buy today.
- The bottom left examines how much more their payment might be in a year if..
  - Home prices go up 5%
  - Interest rates go up 0.5%
  - The payment could go up 11% if you wait for a year (and what will your rent do in the interim?)
- The right side is a chart depicting…
  - Top: The home value, with 5% annual appreciation.
  - Middle light purple: the mortgage balance, which is paid off over time.
  - Lower heavy grey line: the accumulated equity ("wealth creation") for the client.

What does it mean for the client?

- The first-time buyer's 5% down payment of $12,500 turns into $157,000, or +1256%.
- For many buyers, this gain would be tax free!
- You also get to save on rent expense.
- Potentially, you deduct your property taxes and mortgage interest as tax deductions, reducing your tax burden. These benefits are not included here. Talk to your CPA.
- Historically, the stock market (S+P 500) returns around 11% per year before tax or 8% per year after tax.
- If history predicts the future, that $25,000 down payment invested in the stock would worth $54,000 (after tax) in ten years, for a 115% return.

If you buy a home today vs. next year (First Time Buyer). **Nearly $400,000 in wealth creation in ten years!**

ASSUMPTIONS

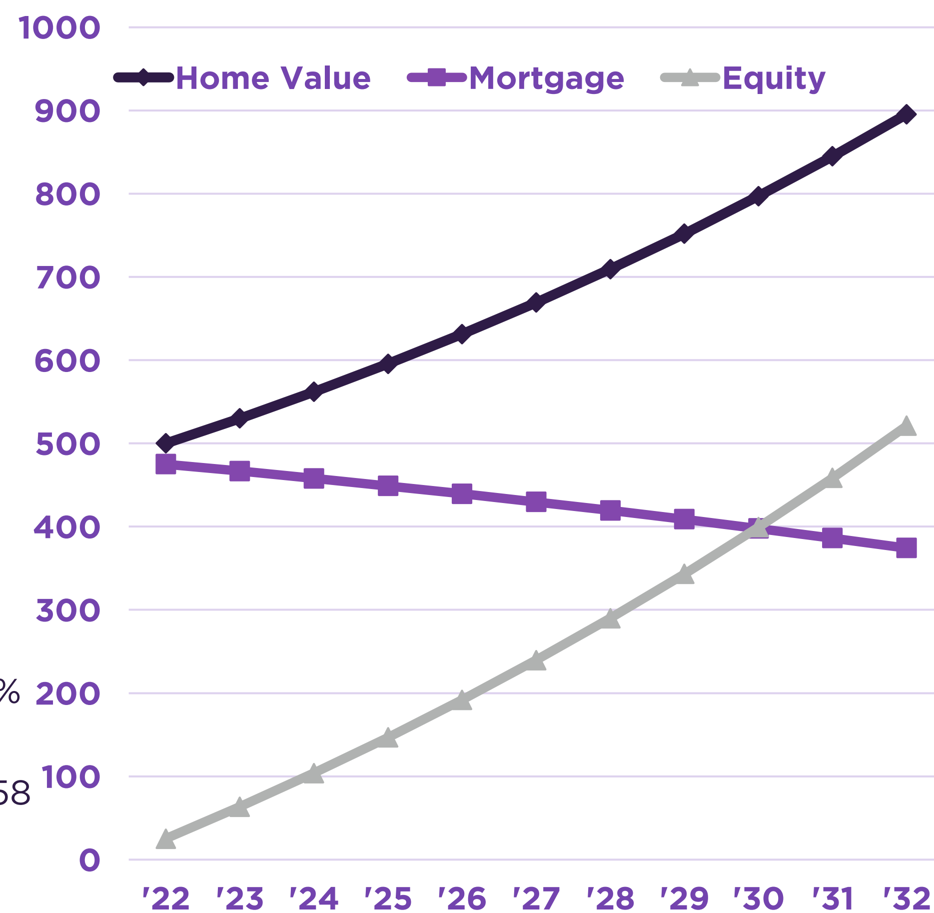
Buy now

- Purchase price: $500,000
- Down payment %: 5%
- Down payment $: $25,000
- Rate: 4.0%
- Amortization: 30 years
- P/I Payment: $2,267
- Appreciation %: 5% per year
- Appreciation $: $395,000
- Loan pay down: $ 106,000
- Simple ROI*: 1582%

Wait 12 months ("watch market")

- Assume mortgage rates +0.5%
- Assume home appreciation +6%
- P/I Payment next year: $2,558
- Payment change: +13%

PROJECTED HOME CHANGE IN VALUE

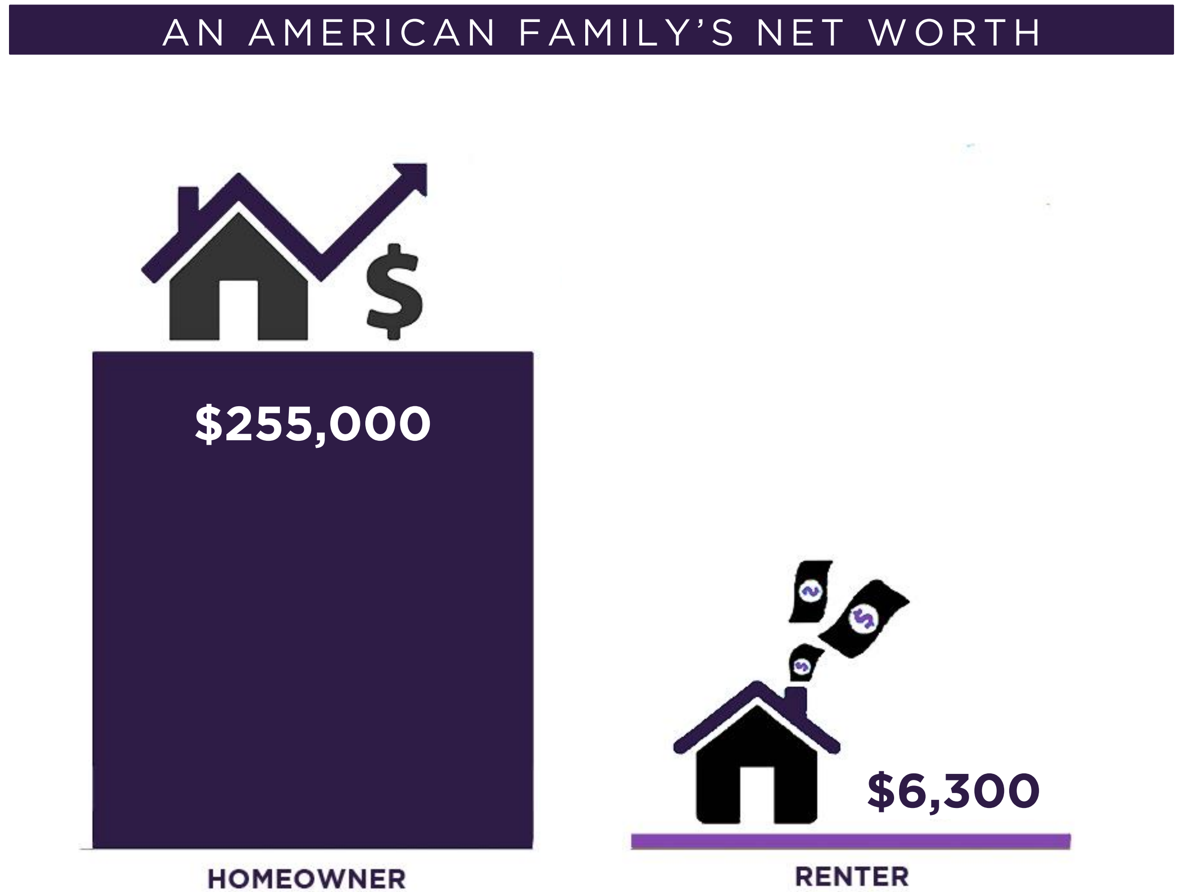


Data Source: BankRate.com
*This does not include approximately $93k paid in interest over first 10yrs.

NET WORTH FOR OWNERS IS HIGHER THAN RENTERS

Buying is generally more affordable and less expensive than renting. In addition, research by the Federal Reserve found that home owners accumulate ~40.5x more net worth than renters over their lifetime.

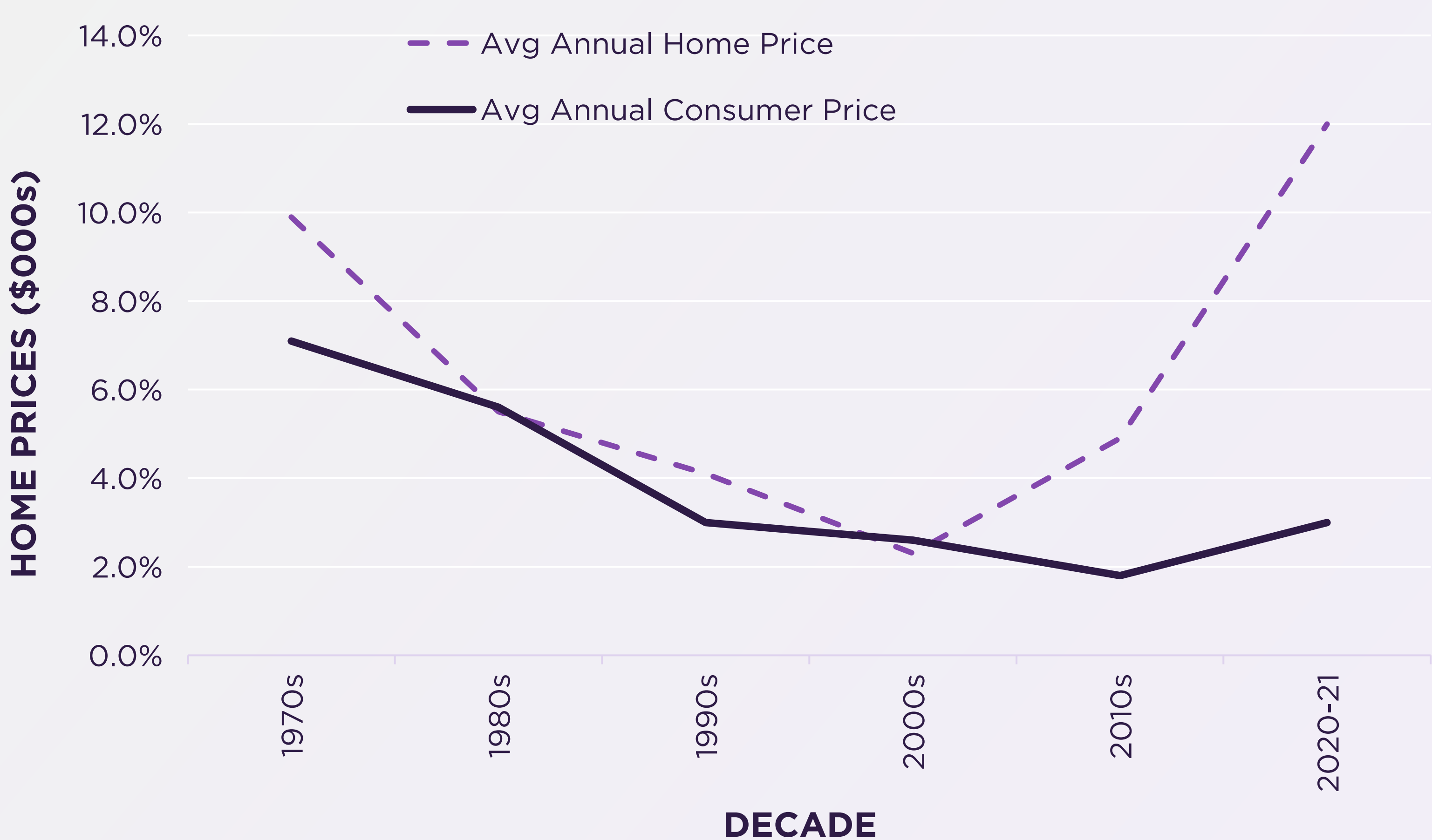
It's still a very good idea to buy vs. rent.



Data Source: Federal Reserve Survey of Consumer Finances 2016-2019

How do rising home prices compare to inflation? Historically, home prices do better than inflation!

AVERAGE DENVER HOME PRICE VS. MEDIAN DENVER RENT



Data Source: National Association of Realtors, December 2021 Economic and Market Update.

Metro Denver is one of the most desirable places to live in the country, that's why so many people are moving here!

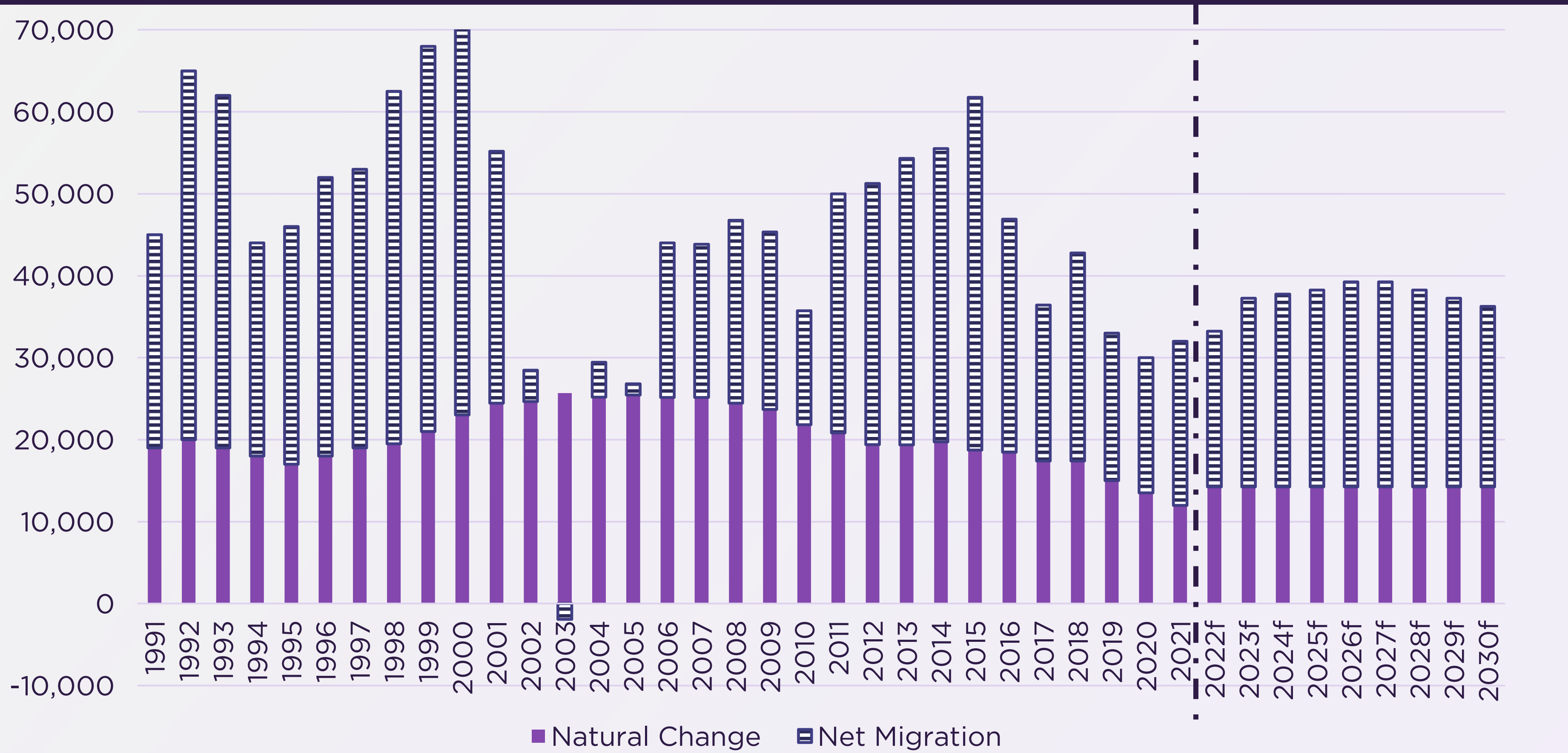
- Metro Denver hit 3,000,000 people in the fall of '14. And grew to 3,270,000 in 2021.
- We are expected to increase our population by 40,000/year for the next 10 years. That's a LOT of growth.
- This fact alone will support the housing market and continue to make the demand for housing (both rental and purchase) stronger than the supply for years to come.

What does it mean for the client?

- More and more people are moving to the Front Range and they all need to live somewhere.
- Our increasing population should help your nervous buyers breathe easier.
- The demand for property will continue to outstrip the supply for a long time.

Local economist Patty Silverstein and the Census Bureau expect the Denver population will continue to grow around 40,000 people per year. This is down from the 50,000 net person growth rate from 1991-2015. Denver is still growing faster than many cities our size. Where are all of these people going to live?

2021 POPULATION – 3.27 MILLION



Source: Colorado Division of Local Government, State Demography Office.

Comparing historic rental rates with vacancy rates.

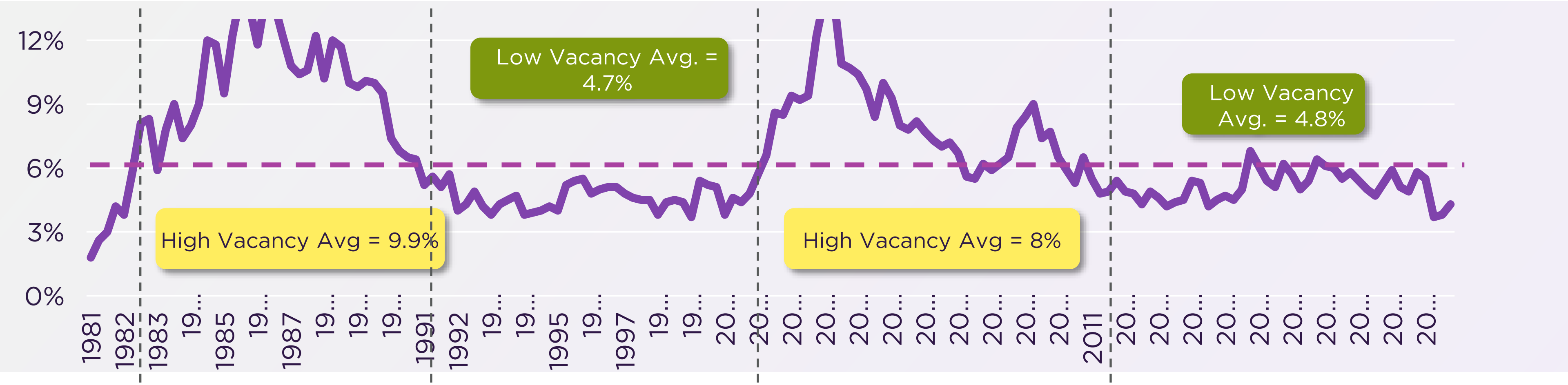
- This chart shows the correlation between rental vacancy rate and median rent in metro Denver since '81.
- Not surprisingly, when vacancy rates are high, rents stall and vice versa.
- During the 80's vacancy rates were high and rent growth was very slow.
- During the 90's vacancy rates were low and rent growth was very strong.
- During the 2000's vacancy rates skyrocketed in the first few years and rent growth was very slow.
- Since then vacancy rates have mostly fallen (except in 2010) and rents have risen.
- Today's ultra low vacancy rate has led to massive rental increases – rents have risen over 30% in the past 3 years.
- Long term buy and hold investors are taking advantage of this trend by buying more rental properties.

What does it mean for the client?

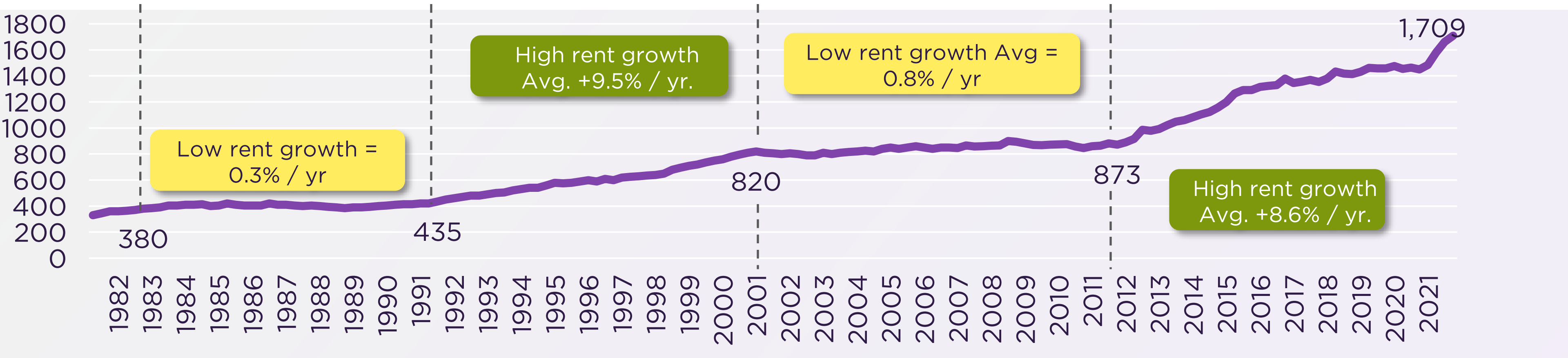
- Renters are suffering through the strongest rental increases in metro Denver history.
- Because of the lack of rental unit construction, this dynamic is not expected to change for years.
- This is causing many renters to take the plunge and purchase a home, further increasing the demand for homes.
- Low interest rates make home ownership (as compared to renting!) relatively affordable.
- The ones who are in a better position are landlords and home sellers.

When Denver rental vacancy is below 6%, we experience rent growth. 1981-2021 average rent growth: 4%. (5+ unit Apartment data only)

VACANCY RATE BY QUARTER % (5+ UNIT BUILDINGS)

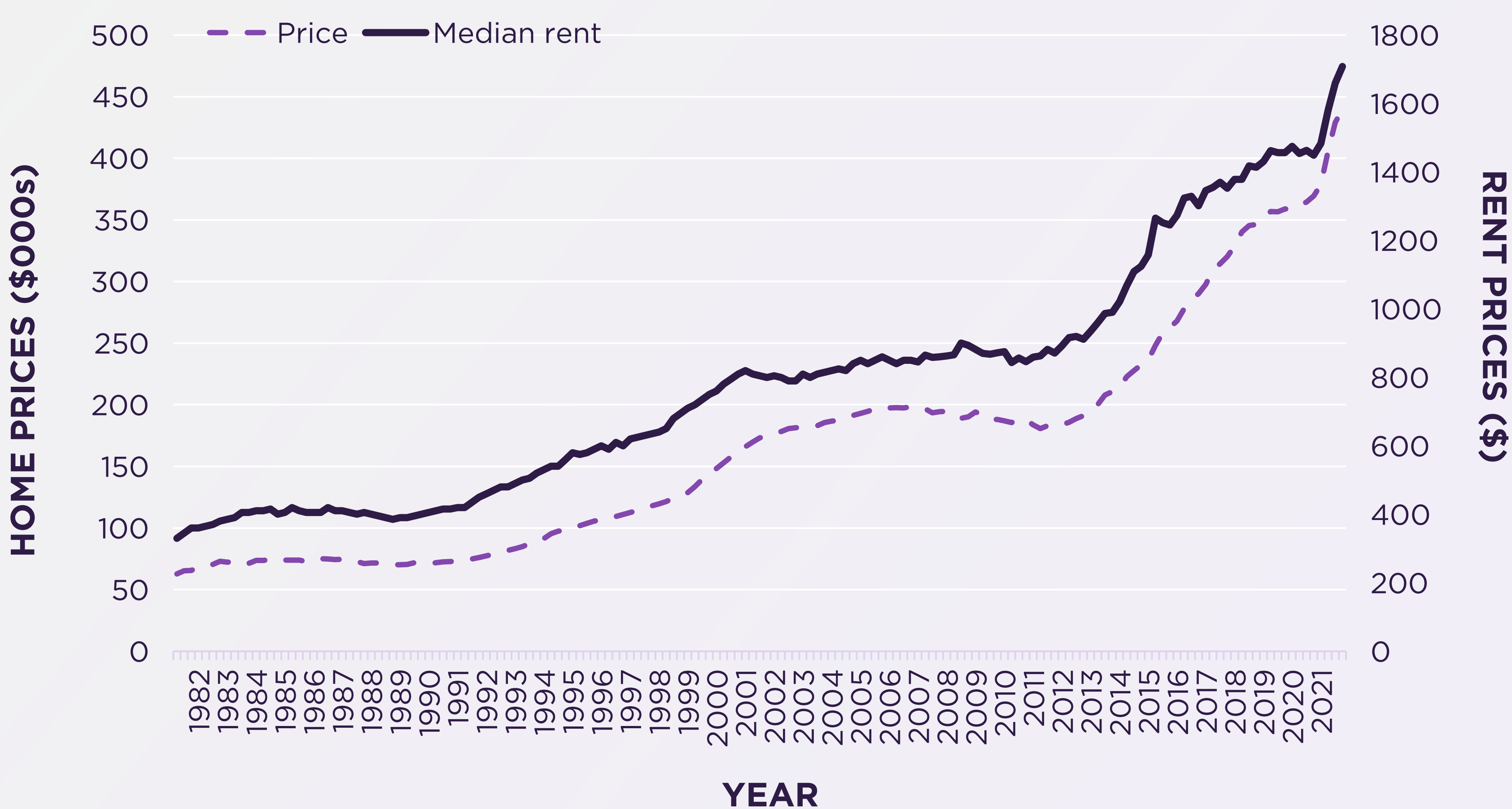


MEDIAN RENT BY QUARTER ($) (5+ UNIT BUILDINGS)



Over the past 50 years, rents in Denver have grown at about the same pace as home prices. Continuing in this pattern, they've both spiked this year!

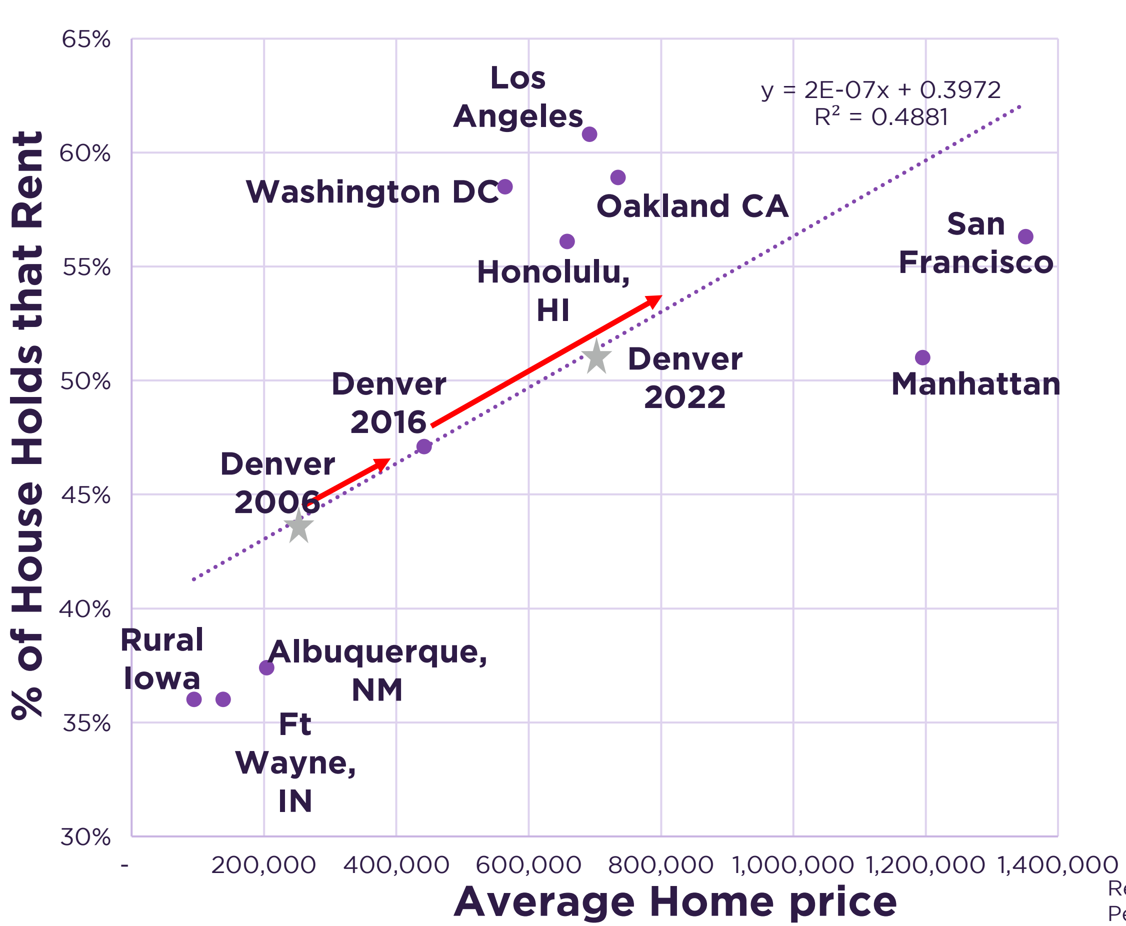
AVERAGE DENVER HOME PRICE VS. MEDIAN DENVER RENT



Data Source: FRED (Fed Reserve Econ Database); Apartment Association of Metro Denver

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 2023-25 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.**

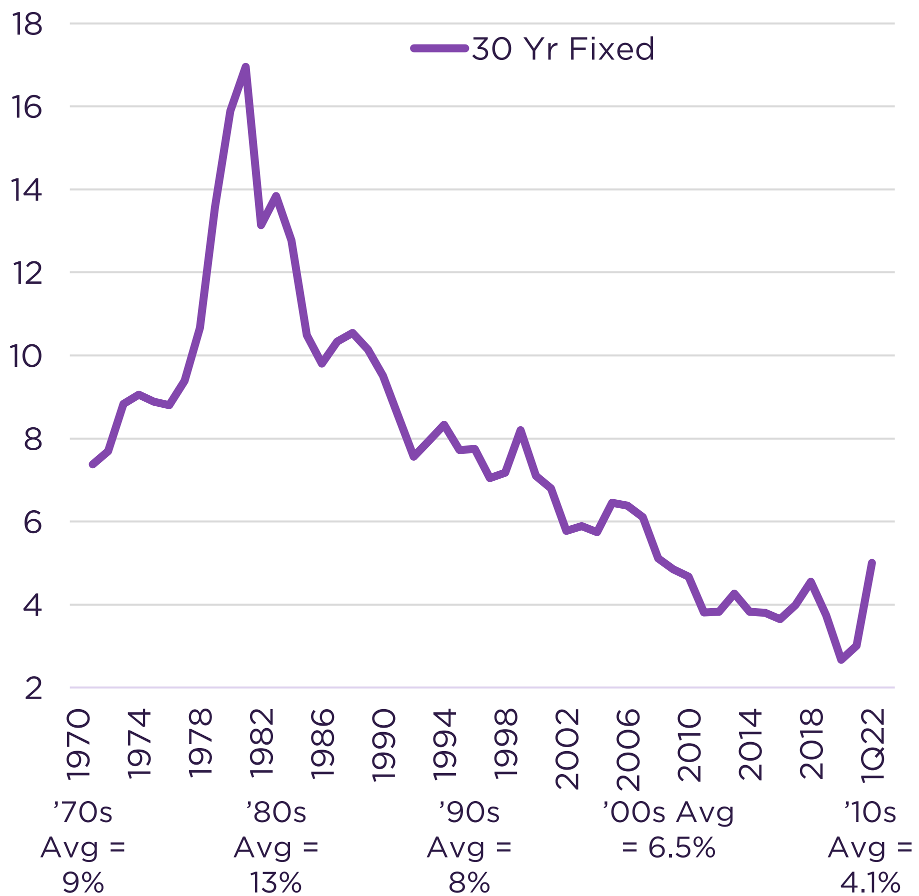
What does it mean for the client?

- **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.**
- 51% of the households in Denver, CO are renter-occupied in 2022.

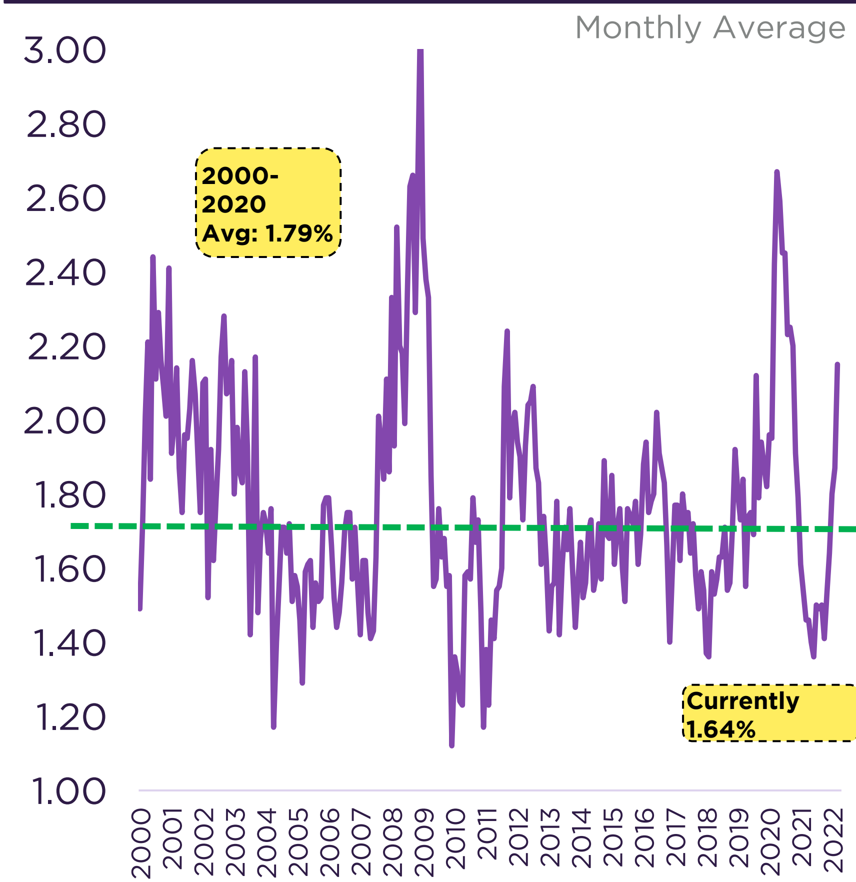
Renter calc: 3,116,000 population in 2016, add 0.8% or 25,800 people Per year for ten years. Estimated 2025 population = 3,375,000. 2016 Has 3,116,000 * 47% that rent. 2025 has 3,375,000 * 525 that rent.

The average mortgage rate was **5.00**% on 4/18/22. *For example*: at 2.65%, a $1490 P&I payment could buy a $390k house with 5% down. A half percent increase in the interest rate to 3.15% would decrease one's buying power *a bit,* to $365k in order to keep the same $1,490 P&I payment. While rates may be slowly rising, they are still at near 50-year lows.

30 YEAR FIXED RATE: 1971-2021



MORTGAGE/BOND SPREAD



Source(s): Freddie Mac, Your Castle, FRED, US10Y

YOUR CASTLE REAL ESTATE

T1 - Time Period 1: April 2020 - March 2021
T2 - Time Period 2: April 2021 - March 2022

Note: Data from RE Colorado (4/4/2022); analysis by Your Castle Real Estate

DENVER HOMES		Number of Sales						Days on Market				Avg SOLD $000			
City	Current Active	Current U/C	% Listings U/C	Sold t1	Sold t2	Chg Sales	MOI	Sold t1	Sold t2	Chg in DOM	Average Asking	Sold t1	Sold t2	Chg Price	AVG Disc
Arvada	70	175	71%	2,120	2,148	1%	0.4	16	11	(5)	1,134	558	658	18.0%	4.3%
Aurora	157	581	79%	5,632	5,777	3%	0.3	18	10	(8)	653	451	536	18.9%	4.3%
Brighton	33	101	75%	1,086	1,064	-2%	0.4	27	13	(14)	829	485	559	15.4%	3.2%
Broomfield	35	87	71%	1,048	944	-10%	0.4	22	10	(11)	989	614	717	16.9%	3.8%
Castle Pines	7	28	80%	348	292	-16%	0.3	40	16	(25)	865	756	998	32.0%	2.7%
Castle Rock	84	276	77%	2,046	2,095	2%	0.5	28	14	(15)	1,281	634	749	18.3%	3.0%
Centennial	30	111	79%	1,528	1,574	3%	0.2	15	8	(6)	776	583	694	19.2%	4.4%
Cherry Hills Village	5	2	29%	89	90	1%	0.7	76	57	(19)	7,620	2,866	3,677	28.3%	0.5%
Commerce City	45	149	77%	1,271	1,316	4%	0.4	17	11	(6)	603	426	509	19.6%	3.2%
Conifer	7	12	63%	213	273	28%	0.3	31	13	(18)	1,185	631	810	28.5%	3.2%
Denver	227	796	78%	8,883	8,786	-1%	0.3	20	11	(8)	1,228	672	774	15.2%	4.0%
Edgewater	1	8	89%	64	68	6%	0.2	14	7	(7)	799	535	626	17.0%	7.3%
Englewood	25	72	74%	795	803	1%	0.4	16	10	(7)	800	583	713	22.4%	4.2%
Evergreen	24	42	64%	575	454	-21%	0.6	35	19	(16)	1,996	862	1,135	31.6%	3.4%
Federal Heights	2	-	0%	18	20	11%	1.2	7	7	1	450	318	420	32.0%	6.3%
Golden	32	59	65%	714	693	-3%	0.6	25	16	(9)	3,488	797	995	24.9%	4.8%
Greenwood Village	7	16	70%	196	157	-20%	0.5	33	16	(17)	7,139	1,617	1,914	18.4%	2.6%
Henderson	-	3	100%	31	26	-16%	-	14	14	0	0	465	546	17.5%	2.3%
Highlands Ranch	22	133	86%	1,626	1,552	-5%	0.2	13	7	(7)	907	621	760	22.4%	5.0%
Lakewood	33	113	77%	1,709	1,692	-1%	0.2	17	10	(7)	906	555	661	19.1%	4.4%
Larkspur	10	6	38%	126	133	6%	0.9	40	23	(16)	1,850	864	1,003	16.1%	2.2%
Littleton	73	238	77%	2,515	2,551	1%	0.3	21	11	(10)	1,372	637	742	16.6%	4.3%
Lone Tree	9	19	68%	195	191	-2%	0.6	38	15	(22)	1,926	962	1,180	22.7%	2.5%
Northglenn	12	44	79%	392	441	13%	0.3	8	7	(1)	534	393	467	18.8%	4.9%
Parker	76	237	76%	2,181	2,196	1%	0.4	24	12	(12)	1,044	620	756	22.0%	3.4%
Pine	3	11	79%	96	125	30%	0.3	31	19	(12)	730	592	715	20.8%	3.6%
Thornton	70	214	75%	1,981	1,906	-4%	0.4	14	10	(5)	662	461	548	19.0%	4.2%
Westminster	38	115	75%	1,414	1,424	1%	0.3	12	8	(4)	696	497	592	19.1%	5.0%
Wheat Ridge	10	31	76%	432	453	5%	0.3	15	10	(4)	886	543	655	20.6%	4.7%
Grand Total	**1,147**	**3,679**	**76%**	**39,324**	**39,244**	**0%**	**0.4**	**20**	**11**	**(9)**	**1,151**	**595**	**703**	**18.1%**	**4.0%**
1 < 1000 sq ft (smallest 10%)	92	307	77%	3,797	3,927	3%	0.3	12	9	(3)	649	404	476	17.9%	4.3%
2 1000-1324	176	515	75%	6,187	6,609	7%	0.3	11	9	(2)	598	450	534	18.6%	4.7%
3 1325-1799	214	835	80%	8,846	9,220	4%	0.3	13	9	(4)	695	481	575	19.5%	4.7%
4 1800-2349	268	900	77%	9,715	9,547	-2%	0.3	19	10	(9)	813	559	671	20.0%	4.0%
5 2350-2999	184	650	78%	6,073	5,801	-4%	0.4	27	13	(14)	1,113	700	845	20.8%	3.4%
6 3000+ sq ft (largest 10%)	213	472	69%	4,706	4,140	-12%	0.6	43	20	(23)	2,739	1,095	1,350	23.3%	2.3%

Data Source: Recolorado.com; YCRE analysis

Colorado is number 2 most desired place to live, only behind Hawaii!

MOST DESIRABLE PLACES TO LIVE: US STATES, RANKED ACCORDING TO AMERICANS

	State	Win %		State	Win %		State	Win %
1	Hawaii	69%	18	Montana	55%	35	Oklahoma	45%
2	Colorado	65%	19	New Hampshire	54%	36	West Virginia	45%
3	Virginia	64%	20	Michigan	54%	37	North Dakota	44%
4	Nevada	61%	21	Tennessee	53%	38	Wisconsin	44%
5	North Carolina	61%	22	Wyoming	53%	39	Illinois	44%
6	Florida	61%	23	Connecticut	51%	40	Idaho	43%
7	Arizona	60%	24	Minnesota	51%	41	Kansas	42%
8	New York	59%	25	Rhode Island	50%	42	Kentucky	42%
9	Georgia	58%	26	Maryland	49%	43	Missouri	42%
10	Texas	58%	27	Utah	48%	44	South Dakota	40%
11	Maine	57%	28	New Mexico	48%	45	Indiana	40%
12	California	57%	29	South Carolina	47%	46	Iowa	39%
13	Alaska	57%	30	Louisiana	47%	47	Arkansas	39%
14	Vermont	56%	31	Massachusetts	46%	48	New Jersey	39%
15	Washington	56%	32	Delaware	46%	49	Mississippi	38%
16	Oregon	55%	33	Ohio	45%	50	Alabama	38%
17	Pennsylvania	55%	34	Nebraska	45%	51	*District of Columbia*	35%

Data Source: MagnifyMoney survey of 1,783 consumers who want to retire in the US. Conducted September 2021.

Separately, if you ask where people want to retire, Colorado is tied with Hawaii!

WHERE AMERICANS MOST WANT TO RETIRE IN THE US

Data Source: MagnifyMoney survey of 1,783 consumers who want to retire in the US. Conducted September 2021.

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THANK YOU TO OUR SPONSORS!

Notes from the attorneys…

Source: Your Castle Real Estate analysis. Based on information from Denver (REColorado). Not all properties were listed and/or sold by Company. This representation is based in whole or in part on content supplied by the MLS. The MLS does not guarantee nor is it in any way responsible for its accuracy. Content maintained by the MLS may not reflect all real estate activity in the market. Does NOT include time share, mobile homes, or commercial.

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