

## LOCAL: DENVER TOP IN THE NATION FOR RENT INCREASE

Between 2009 and 2021, the Denver Metro area's rent inflation outpaced income gains by a higher margin than did rent inflation in any other major city in the U.S. during the same time span, according to a study from the Clever Real Estate Subsidiary Real Estate Witch. Denver rent prices surpassed income gains by a staggering 71% margin, putting it among seven other major metro areas where rent increases outpaced income gains by 50% or more. Denver's rent-to-income ratio increased by 23% over the same 12-year time span.



Source: TheDenverPost.com

Rent has skyrocketed in most major cities in the U.S.; Denver is just one of the cities where residents are feeling the increase the most. Other cities where rent inflation is outpacing income gains include: Seattle, Portland, San Francisco, Nashville, Austin, Salt Lake City, San Diego, and Los Angeles. From 2009 to 2021, rent increases surpassed income growth in 46 of the 50 largest metro areas in the United States. Only four U.S. cities — Providence, RI, Buffalo, NY, Cleveland, OH, and Pittsburgh, PA — had housing costs that were in line with wage gains.

The national median monthly rent in 2009 was \$817; by 2021, the national median rent jumped 42% to \$1,163. Over that span of time, the median rent in Denver increased by 82%, from \$856 per month to \$1,554 per month. The only city in the U.S. that saw a bigger jump in median rent during that time span was San Jose, a hub of the Silicon Valley area. Between 2009 and 2021, the median rent in San Jose jumped nearly 85% from \$1,360 to \$2,511. We are seeing continued construction for multi-family properties and perhaps this increased supply will start to level off rents in a couple of years time.

## NATIONAL: BUILDERS CONFIDENCE BACK IN POSITIVE TERRITORY

After 11 months, the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI) is back in positive territory at 55. The index has been steadily increasing over the past six months, and has now reached a level above 50. This positivity is being led by both a lack of inventory in existing homes for sale that is driving buyers to new home options, as well as improvements to the supply chains affecting construction.



Source: Washington Examiner | Black Knight Inc.

Builders are cautiously optimistic, and as such, have started pulling back on sales incentives "25% of builders reduced home prices to bolster sales in June. The share was 27% in May and 30% in April. It has declined steadily since peaking at 36% in November 2022." Meanwhile 56% of builders offered incentives other than price in June, down from 62% of builders in December 2022.

While the building industry is exhibiting these positive signs, it certainly still has concerns regarding high interest rates, the lack of lot availability, and some supply side challenges including the ongoing scarcity of electrical transformer equipment. Nonetheless, we are seeing home starts and permits rise with this rise in optimism

Source: NAHB

## INVALESCO CONTINUES TO PARTNER WITH ELEVATION COMMUNITY LAND TRUST & SHANAHAN DEVELOPMENT TO BRING AFFORDABLE HOMEOWNERSHIP OPPORTUNITIES TO MARKET

The Burrell brings to Denver 49 affordable condos nestled in the vibrant heart of Five Points bordered by the South Platte River. The project is Inspired by legendary musician Charles Burrell, an influential jazz musician, and an indelible figure in the history of American music. Burrell's remarkable talent and dedication to his craft led him to become one of the most prominent bassists of his time.



Affordable housing is more important than ever. Denver's growth over the last decade has led to increased home prices, which in turn has priced residents out of neighborhoods and made homeownership out of reach

for many as wage growth has not increased at the same pace. Invalesco understands the need to continue to help bring affordable living options to the residents of Denver and continues to partner with ECLT, whose mission is to provide opportunities for Colorado families to remain in their communities for generations using the community land trust model.

Pre-sales of units at The Burrell will begin this summer, and the building is slated to be complete in October 2023. There are one, two, and three bedroom units available for households earning under 80% of the Area Median Income.

To learn more, check out: [TheBurrellDenver.com](http://TheBurrellDenver.com). If interested, our team is here to help you every step of the way. Be sure to connect with us and get on our interest list!

## INVESTORS: INVESTORS ACCOUNTED FOR THE PURCHASE OF \$10B OF DENVER-AREA HOMES SINCE 2021

Over the course of the last two years, investors have been very active in the Denver real estate market, though this activity may have had less of an impact on local home prices than anticipated.



Source: ColoradoRealtors.com

Since 2021, real estate investors have spent a total of 10 billion dollars on Denver-area homes. Putting that into perspective, investor purchases accounted for approximately one in every seven homes that were purchased in the area between 2021 and 2022. Despite all of that activity, Denver is under the national average for homes purchased by investors — nationally, about one in five homes is purchased by investors. Though investors are actively buying and contributing to the market, at least in the Denver area, their purchases on average do not necessarily serve to immediately drive up local home prices. On the contrary; homes sold to investors were purchased for about "49,000 less than the overall sales price for the Denver metro, on average" according to online brokerage Redfin.

With the Denver market cooling off, it is yet unclear whether investors will respond by buying up yet more property, or whether investors will cool off as well. We think Denver is still a top city to invest in with continued appreciation potential. We advise investors to search to find homes currently overlooked buyers that may need some updates.



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# INSIGHTS

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## MARKET UPDATE

We are experiencing a slower than expected summer due to an ongoing lack of inventory and consistently higher interest rates. This second quarter we had 23% fewer closings than we saw at this same time last year. Meanwhile, new listings over this time period were also down 27% compared to last year. We expect this unseasonal slowdown to continue through the rest of 2023.





Interest rates did not start to decrease in June as we had previously expected they would. This is causing buyers to put off their house hunts and potential sellers not to list, as sellers in particular do not want to replace their current low mortgage rates with loans at the current market rates. This dynamic is causing pent-up demand as well as a lack of inventory. We now expect interest rates to remain at these higher levels for the remainder of the year with some expected respite to come the first half of 2024. For those needing to move, it may be wise to do so now before this pent-up demand is unleashed and you are faced with more competition accompanied by higher prices.

We are seeing listings last longer on the market, except with regard to homes under \$500K, which are still moving quickly and often seeing multiple offers. Sellers need to be sure to prepare their homes for sale to showcase them in the best light possible and to price right from the get-go. Buyers are less willing to take on home improvement projects in this market.

It is also a great time for cash buyers to take advantage of our current environment. The Denver market is still a strong investment option. Homes are holding their valuations strong with only a 3% decline in average close prices as compared to last year, and rents have been steady as well.

Source: REColorado  
Data for 11 Counties within the Denver Metro Area

### 2nd Quarter YOY Residential Stats

	<b>SOLD Listings</b>
	2022: 16,601 2023: 12,717
	<b>New Listings</b>
	2022: 21,428 2023: 15,587
	<b>Avg Sold Price</b>
	2022: \$718k 2023: \$696k
	<b>Days on Market</b>
	2022: 4 days 2023: 7 days