

COLORADO SPRINGS

MULTIFAMILY REPORT

THIRD QUARTER 2017



MARKET AT A GLANCE



OCCUPANCY RATE **96.0%**
Up **30 bps** since 3Q16



ASKING RENT **\$1,098**
Up **6.4%** since 3Q16

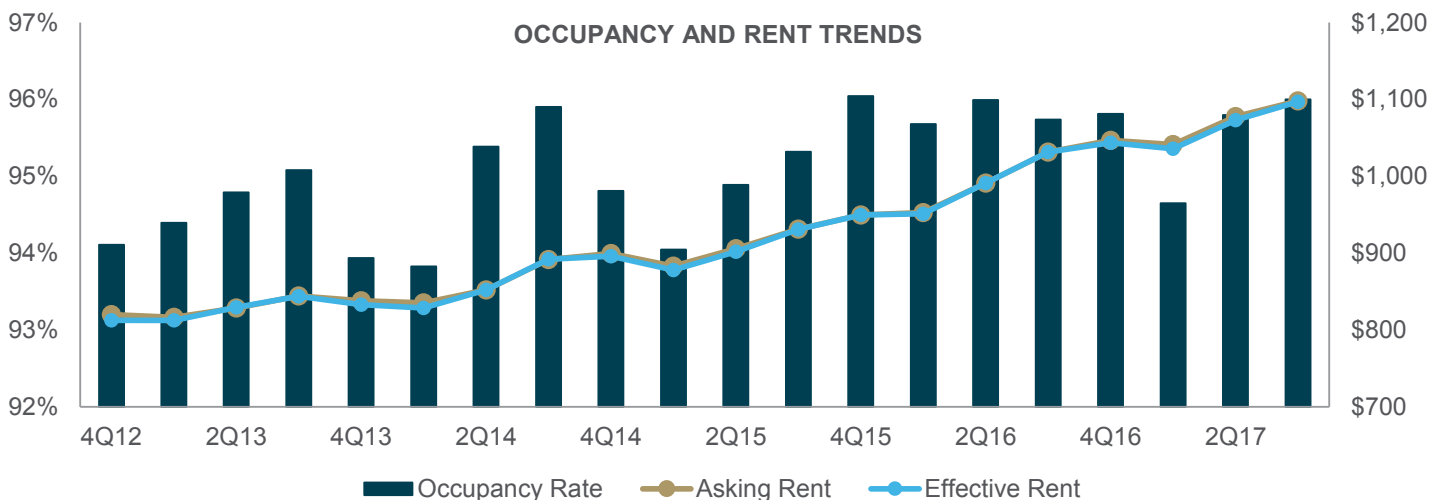


CONCESSIONS **0.1%**
Down **10 bps** since 3Q16

OCCUPANCY AND RENT TRENDS

RENT ADVANCES 6.4% AS PAYROLLS RISE 2.1%

Multifamily builders could not keep pace with rental demand in the Colorado Springs metropolitan area as occupancy edged up 30 basis points year over year to 96.0% in the third quarter. The latest movement continued the trend in the prior 12 months, when occupancy ascended 40 basis points to 95.7% in September of 2016. Working to meet the brisk rental demand, developers stepped up new supply. Builders delivered 711 new apartments in the past four quarters, up from the 438 units completed during the same timeframe one year prior. All the recent deliveries were in the Far Northeast submarket. A majority of the additional 141 apartments scheduled to complete by year-end in the metro are also located in the Far Northeast submarket. Renters responded positively to the new inventory, as robust apartment demand resulted in 850 additional units occupied metrowide, up 12% in the preceding four quarters. At \$1,098 per month in September, the average asking rent was up 6.4% year over year. Operators decreased renter incentives at that time, tightening concessions to an average of 0.1% of asking rent.



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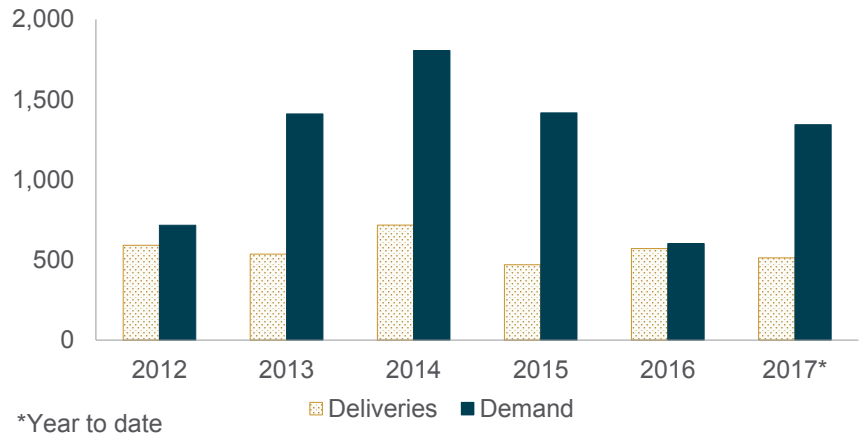
DELIVERIES AND DEMAND



DELIVERIES 513
Units YTD



NET ABSORPTION 1,343
Units YTD



ECONOMIC TRENDS

2016 **UNEMPLOYMENT*** 2017
3.8% **-100 BPS** 2.8%
CHANGE

2016 **EMPLOYMENT*** 2017
279.5k **2.1%** 285.3k
CHANGE

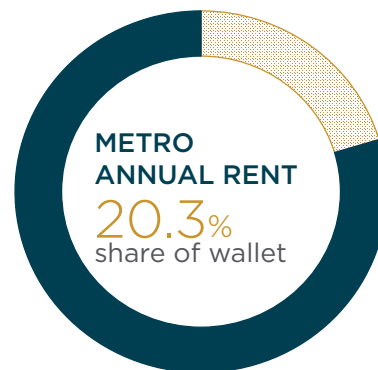
2016 **EXISTING SFH SALES**** 2017
15.3k **-2.6%** 14.9k
CHANGE

2016 **MEDIAN SFH PRICE**** 2017
\$257.3k **8.3%** \$278.7k
CHANGE

2016 **10-YEAR TREASURY**** 2017
1.63% **60 BPS** 2.20%
CHANGE

*August; **September

Colorado Springs employment increased 2.1% with 5,800 new jobs since August of 2016, outmatching the national rate of growth in that time. Overall hiring eased from the preceding year when 6,600 workers were added for a 2.4% expansion. Part of the recent slowdown was attributed to the 1,400 combined jobs eliminated from the professional and business services and the manufacturing sectors shedding 1,000 and 400 workers, respectively. Meanwhile, businesses in the education and health services segment hired 1,700 workers, resulting in the highest percentage gain at 4.5%. The health services segment will be bolstered by the \$154 million Children's Hospital Colorado currently under construction on the northeast side of town, creating jobs for 550 pediatric health professionals when completed in late-2018. Home to five military bases, the U.S. Air Force Academy, and a campus of the University of Colorado, government is the largest employment sector in the metro. Public-sector payrolls expanded by 2,100 employees for a 4.2% annual increase.



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SUBMARKET BREAKDOWN

SUBMARKET NAME	OCCUPANCY		AVG RENT INCREASE		AVG RENT		NET ABSORPTION		DELIVERED UNITS	
	3Q16	3Q17	3Q16	3Q17	3Q16	3Q17	3Q17	ANNUAL	3Q17	ANNUAL
Central	95.9%	97.3%	4.1%	11.3%	\$919	\$1,023	8	90	0	0
East/Northeast	95.8%	96.5%	16.0%	3.9%	\$985	\$1,023	-23	26	0	0
Far Northeast	96.2%	96.0%	9.3%	6.5%	\$1,098	\$1,170	208	662	171	711
Northwest	95.0%	95.0%	5.4%	8.3%	\$1,112	\$1,204	19	0	0	0
South	95.1%	95.6%	6.1%	5.9%	\$877	\$929	-6	43	0	0
Southwest	97.0%	97.4%	1.9%	3.5%	\$958	\$991	36	29	0	0
Teller County	-	98.1%	-	-	-	\$1,578	0	0	0	0
TOTALS	95.7%	96.0%	10.8%	6.4%	\$1,032	\$1,098	242	850	171	711



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