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MULTIFAMILY PROPERTIES Quarterly

Market cools to steady, sustainable pace

After years of double-digit rent growth and tight occupancy rates, both figures are expected to see only moderate increases in 2017.

by Michelle Z. Askeland

Entering 2017, the rapid acceleration of Denver's multifamily market seems to be cooling. Yet, it's not doom and gloom but, rather, a settling back onto familiar ground.

Before diving into what experts around the industry are saying, here are some current statistics to keep in mind for the seven-county Denver metro area, according to Cary Bruteig with Apartment Appraisers & Consultants:

•9,800 units were completed in 2016.

•25,382 units in 112 properties are under construction, as of the end of January.

•26,884 units are proposed in projects, as of the end of January.

•52,266 units are in the total pipeline (units under construction plus proposed).

The numbers tell a convincing story. If we continue to add units to the market, eventually we'll hit an equilibrium of units vs. renters. However, Denver's unprecedented in-migration throws a wrench into the equation – we don't know the actual need today, what it will be in a few years or what millennials will desire for their housing as they age.

A trend toward higher vacancies and slower rent growth solidified over the last few quarters, according to Apartment Insights' fourth-quarter 2016 statistics and trends summary. In addition, absorption slowed, rents decreased and sales were down in the fourth quarter, according to the report. But it was still a record year for sales volume and prices.

In mid-January, the Apartment Association of Metro Denver announced that rents across metro Denver decreased by the largest dollar amount in the 36-year history of the report. Average rents for nearly 120,000 Denver apartment units decreased from $1,371 this summer to $1,347 in the fourth-quarter, the report said. Median rents remained flat at $1,329. Rents decreased and vacancy increased in all six of the counties covered in the survey – Adams, Arapahoe, Boulder/Broomfield, Denver, Douglas and Jefferson counties, according to the report.

So, what does it all mean? Experts

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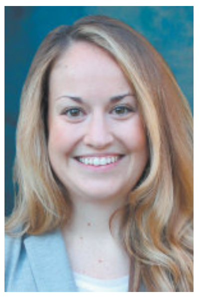
Letter from the Editor

Market driving forces

We're starting the year with an issue chock-full of articles addressing some of the hottest topics in our industry: the lack of affordable housing continues to plague conversations about Denver's market and demand for sustainable practices continues to grow.

The city of Denver wrote an article on Page 18 that rounds up many of the affordable projects with a handy map to see the locations and sizes of these developments.



Further, on Page 26, Erik Okland with Cuningham Group Architecture shares his perspective working on Northfield at Stapleton Apartments, a project that used Denver's Revolving Affordable Housing Loan Fund. The project features 840 affordable units designed to blend in with market-rate apartments in the Stapleton neighborhood. The article offers great insight into how this type of project comes together.

Okland's team put great emphasis on ensuring the project met energy-efficiency goals. On Page 12, Ray White with JLL writes why he believes the green movement is not some passing fad, but rather a new standard for Colorado multifamily properties.

To further support White's argument, 2017 ushers in new requirements for water fixtures. All fixtures sold in Colorado now must be approved to meet the Environmental Protection Agency's WaterSense certification. Read about how it will affect your future project on Page 14.

One more way energy efficiency is leaving its mark on the multifamily market is within the realm of construction. Satyen Patel writes that there is a building materials evolution occurring due to a desire to embrace sustainable practices, which is a good thing, considering that construction and demolition debris accounted for more than 66 percent of the total waste generated in the U.S. in 2014, according to a study released by the EPA.

Over the past few months, some headlines regarding the national multifamily market caught my attention. The Wall Street Journal pondered if the luxury apartment boom faces a glut, while the New York Times wondered if the millennial migration had peaked. Both theories would undoubtedly impact our market. I will watch for indicators to confirm or reject these musings. I'd love to hear your opinions on both of these topics.

I hope to see many of you at the Colorado Real Estate Journal's 2017 Multifamily Development and Investment Conference March 16. We've moved locations to the Hyatt Regency Aurora-Denver Conference Center. Visit our website, www.crej.com, to see the agenda and purchase tickets for this event.

Thank you to all the authors who helped make this issue such a well-rounded one. Your input is invaluable.

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COLORADO SPRINGS 2016

OVER 74% MARKET SHARE BY TOTAL SALES VOLUME OF MARKETED TRANSACTIONS

$391 MILLION IN SALES

#1 APARTMENT BROKERAGE IN COLORADO SPRINGS

GRAND RIVER CANYON

UNITS: 440 | YOC: 1999

HIGHEST TOTAL SALE PRICE IN COLORADO SPRINGS HISTORY

ENCORE FIRST & MAIN

UNITS: 315 | YOC: 2014

HIGHEST PRICE PER UNIT IN COLORADO SPRINGS HISTORY

THE RETREAT AT CHEYENNE MOUNTAIN

UNITS: 276 | YOC: 1997

HIGHEST PRICE PER UNIT FOR 1990s VINTAGE

TALON HILL

UNITS: 276 | YOC: 2005

ADVENIR AT BRIARGLEN

UNITS: 220 | YOC: 1983

CONSTITUITION SQUARE

UNITS: 180 | YOC: 2001-2002

SUMMER GROVE

UNITS: 374 | YOC: 1971

STRATUS

UNITS: 216 | YOC: 1975

AVIATOR

UNITS: 147 | YOC: 1971

REGAL ESTATES

UNITS: 150 | YOC: 1972

FILLMORE RIDGE

UNITS: 114 | YOC: 1965

TANGLEWOOD

UNITS: 112 | YOC: 1972

PALO VERDE

UNITS: 72 | YOC: 1984

PARK PLACE

UNITS: 48 | YOC: 1956

FOOTHILLS WEST

UNITS: 35 | YOC: 1963

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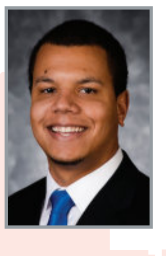

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Market Update

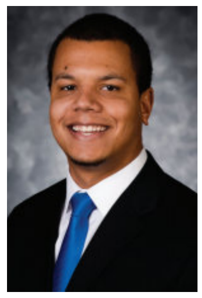
Springs market poised for further growth in 2017

The multifamily market in Colorado Springs finished strong in 2016, with total apartment sales over $550 million. With 2015's total sales volume of $453 million and 2014's $485 million, the total apartment sales volume for the last three years is approximately $1.5 billion – more than the preceding 10 years combined, proving the continued strength of the market.

Colorado Springs recorded four transactions over $50 million last year. Before 2016, Colorado Springs had just one apartment sale greater than $50 million. Transactions blew past the long-held $200,000-per-unit barrier, with increased activity in that range anticipated in 2017. A notable transaction, Grand River Canyon, sold in December for the highest total sale price in Colorado Springs history.

The continued success of the multifamily market in El Paso County is due, in part, to the unmatched positive market fundamentals. With 4.3 percent vacancy, 8.4 percent effective rent growth, low unemployment, strong job growth and a minimal apartment construction pipeline, Colorado Springs is looking better than ever for residents and investors alike. Rent growth in Colorado Springs is among the top five in the nation and is predicted to continue strong in 2017.

Even with all of the sizable growth, the gap between market rent in metro Denver and Colorado Springs has never been wider. The fourth-quarter average market rent in metro Denver was $1.55 per square foot, and Colorado Springs recorded an average market rent of $1.17 per sf. This 38-cent gap is three times the historical average from 1996 to 2013. Thus, many renters in Denver could see an opportunity to save $250 to $500 per month by moving to Colorado Springs. To put this in perspective, the average market rent in the Denver area is the same as the highest-end, Class A communities in Colorado Springs. In 2017, investors can expect continued rent growth in Colorado Springs that will bring this gap back to the historical average.



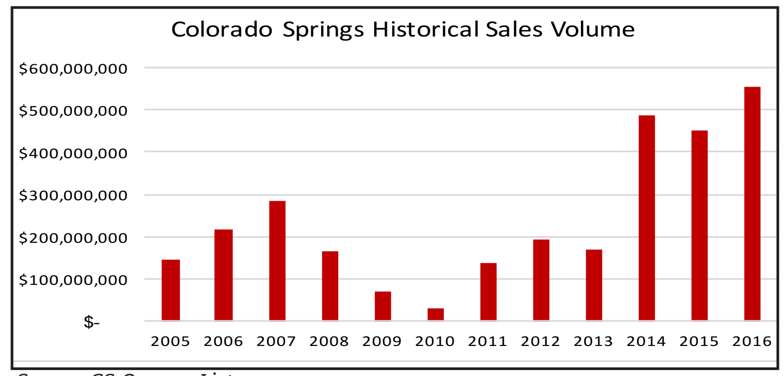
Saul Levy,
Director, ARA Newmark, Denver

While some residents choose to commute to Denver for work, many others will look for quality employment in Colorado Springs. Several industry segments are experiencing growth in the area, particularly health and social services, accommodations and food, education and professional/technical services. Several new businesses have moved into or expanded their operations in the city, contributing to the healthy expansion of the Colorado Springs' economy. Examples include Sierra Nevada Corp., Raytheon, Progressive Insurance and root9B.

With unemployment at 3.5 percent in October, well below the national average of 4.7 percent, and approximately 7,776 new jobs created between second-quarter 2015 and second-quarter 2016, the outlook for employment is very positive.

"We look forward to another great year in 2017, with expected growth in the medical and cyber sectors as highlights," said Bob Cope, City of Colorado Springs Economic Development director, in a recent report.

With over $1 billion proposed and under construction in the health care and medical industry in El Paso County, health care has become one of the fastest-growing industries in the region, currently employing approximately 11,000 people.



Source: CS Owners List *ARA Newmark*

The area is home to two major hospital systems: Centura Health's Penrose-St. Francis Health Services and the University of Colorado Health System. In November, Children's Hospital/Memorial Hospital North broke ground on a more than $150 million expansion, expected to be completed in 2018. Similarly, Penrose-St. Francis and UCHealth Memorial Hospital embarked on facility expansions throughout the region.

Currently ranked the fifth-best place to live in the nation by the U.S News & World Report, Colorado Springs has the infrastructure in place to become a regional force in the near future. One of the most provocative and innovative opportunities in the city is within the rapidly growing field of cybersecurity. As per The Gazette, Colorado Springs is home to more than 100 cybersecurity companies, nonprofit organizations, military contractors and units specializing in cybersecurity, including the National Cybersecurity Center, which began operating in November.

Further, Tatiana Bailey, director of the University of Colorado at Colorado Springs Economic Forum, points out the industry had more than 450 unfilled cybersecurity openings in November, with annual salaries between $60,000 and $85,000. The cybersecurity industry is expected to have up to 1.5 million vacant jobs, nationally, within two years.

Given all of these recent developments, Colorado Springs should benefit from only accelerated growth in 2017 and beyond. An ever-diverse economy is in expansion mode, with increasing populations, household incomes and home values, coupled with an expanding job market with significant developments in health care and medical services, high-tech industries and the service sector. An influx of residents will create greater demand in multihousing and provide an attractive alternative for both investors and renters to Colorado's capital city. ▲

Market Update

Will job growth keep markets tight around CO?

Greg Price,
First vice president investments, Marcus & Millichap, Denver

The commercial real estate market experienced a strong year in 2016, with economic momentum expected to carry into 2017. Apartment construction in the Denver metro and Colorado Springs has been consistently increasing, and this trend is expected to continue in 2017. The current strength in the job market will continue to support apartment absorption over the coming year, with expanding construction and an influx of new residents persisting through 2017.

Despite job gains in the Denver metro throughout last year, a slight slowdown in 2017 is anticipated, with 41,500 jobs expected to be added, down from 46,000 jobs in 2016. With a continued increase in construction, vacancy may rise to 5.5 percent this year. However, the rise in homeownership costs in Denver will contribute to the increase in apartment construction and absorption, signaling a positive outlook for investors.

Throughout 2016, job growth increased nationally, and metro Denver and Colorado Springs have reflected this trend and continue to look positive for 2017, despite some tightness in the labor market and a slight step down in growth. In spite of a certain level of market uncertainty, vacancy remains low, particularly in Class B and C properties, and apartment absorption continues to show strength. Denver, in particular, has been experiencing a construction boom and this is not expected to slow in 2017.

Job growth, along with costly and limited single-family home options, are pushing households toward apartments as homeownership costs continue to rise and outpace wages and rental costs. This trend promises growth in apartment absorption through 2017, and circumstances have been driving a boom in construction with around 30,000 units added over the last four years. Vacancy decreased slightly in 2016, but is expected to moderately increase this year as construction continues to rise. Close to 11,900 apartments are expected to be added in 2017.

Nationally, apartment construction in 2017 will reach its highest level in over 30 years. Households turning to rental options over ownership will continue to bring demand for apartments, and millennials – the portion of the population with the highest propensity to rent – are further supporting this trend by providing a continual flow into the workforce.

Although the Denver area sees a consistent influx of new residents, currently it is experiencing a somewhat tighter labor market. Positive job growth sustained household formation in 2016. However, market uncertainty following the election is likely to cause some turndown, with just a modest expansion expected in 2017, according to an article written by Aldo Svaldi, "Colorado Economy Facing Headwinds in Coming Years." Projected job growth in 2017 will be 2.9 percent, or 41,500 jobs, which is slightly down from 2016's numbers.

In Colorado Springs, job growth is expected to remain largely positive, according to the University of Colorado Springs Economic Forum, according to a Gazette article written by Wayne Heilman. The metro's housing market also is expected to remain robust. Colorado Springs ranks consistently high in job growth within the state, and growing technology, science and math-skilled industries continue to attract skilled labor into the area, according to a Vectra Bank 2016 report. The slight labor shortage Denver and Boulder are experiencing may affect Colorado Springs' economy, and job growth could potentially slow within the next year or two. At the end of 2016, the area's unemployment rate fell to 3.5 percent and local payrolls have shown growth over the last 12 months, a positive sign for the coming year. With this improvement comes higher consumer confidence, according to Heilman, and an expected boost to the local economy.

The slight labor shortage Denver and Boulder are experiencing may affect Colorado Springs' economy, and job growth could potentially slow within the next year or two.

With the vacancy rate in Denver expected to remain below 2000 levels, increased construction has resulted in significant interest from multifamily investment buyers. Household formation will remain steady in Denver and Colorado Springs, and investors can expect to see sustained demand for rentals over homeownership.

Decent competition in transaction activity will keep prices high, and private, local buyers are particularly active in the market. Suburban areas will supply upside potential for buyers, as Class B and C buildings are in high demand. Low vacancy levels support healthy rent growth in the Denver area and allow investors to capitalize on net operating incomes and property values. Sellers are reinvesting in higher-yield opportunities in other metro locations as well as Colorado Springs.

In spite of some market uncertainty as 2017 kicks off and a slowdown in job growth, apartment construction and absorption remain healthy in metro Denver and Colorado Springs. Investors can expect to see vacancy levels remaining low and an increase in rental rates, at around 3.5 percent. The intersection of high ownership costs and increasing apartment construction will keep absorption high, offering both sellers and buyers a strong market through 2017.▲

Financial Market

A glimpse into 2017's apartment finance market

Charles Williams
Senior vice president, KeyBank Real Estate Capital, Denver

Denver has long been regarded as a one-industry city – mining in the 19th century, followed by energy and then telecomm. But in recent years, the city developed a diverse economy that experts believe will fuel population and job growth for the next 20 years or more. Denver, today, is a prime example of an American city whose growth is driven by the work-live-play neighborhood dynamic that attracts young professionals and the companies that seek to hire them. The apartment market, often a leading indicator of market trends, is of particular interest to real estate developers, investors and lenders.

Innovation That Matters, a recent report from the U.S. Chamber of Commerce Foundation, 1776 and Free Enterprise, ranked Denver third among U.S. cities – behind Boston and San Francisco – in terms of its "readiness to capitalize on the inevitable shift to a digital economy." Among the 25 cities studied, Denver ranked first for quality of life, second for its well-connected ecosystem, third for its vibrant cultural foundation and fourth for its ability to attract college-educated millennials.

Denver has figured out how to diversify its economy and is on a strong growth path. The economy here is where San Francisco's was 20 years ago. Proof of this long-term stability is seen in Google recently developing a three-building campus in Boulder that can accommodate more than 1,500 employees.

One reason for Denver's appeal is its business climate, with low taxes and incentives for job creation, employee training and infrastructure improvements. But the biggest reason is the city's appeal to millennials as a desirable place to live, for its active lifestyle choices, such as hiking and skiing, and for a culture that values environmental issues. Transportation is part of the appeal as well; Google executives note that a nearby transit hub was a major factor in choosing its Boulder site.

Denver also is benefiting from a demographic trend seen across the country – not only are millennials staying in apartments longer than previous generations, but also a record number of retiring baby boomers also are choosing the walkable lifestyle that work-live-play urban neighborhoods offer. Empty nesters are realizing that their wealth is tied up in their home equity, and they can enjoy life by selling the house and renting in an area with restaurants and shops. Plus, they don't have to make repairs or do lawn work.

To accommodate the wave of apartment demand, developers have increased metro area inventory by 13 percent over the past three years and have seen average rental rates rise to 60 percent above their previous peak, according to a first-quarter report from Marcus & Millichap. Yet, multifamily vacancy rates are at historically low levels.

Affordability is the main concern in Denver's apartment market today. Owners of B and B-plus properties have pushed rents 20 to 30 percent, and they are still 100 percent occupied. But renters are reaching the limit of what they can afford. As land prices and construction costs rise, new projects could have trouble making their pro-forma numbers. We are starting to see some concessions come into the market for Class A properties downtown. Capital sources that want a piece of today's growth are becoming increasingly concerned about this downside risk.

Currently, however, apartment owners and developers still can get financing at favorable terms. Denver's apartment market may be one of the most dynamic in the country, but the trend toward higher rent and occupancy can be seen in virtually every city.

The past year has seen increased volatility in the commercial mortgage-backed securities industry and a greater regulatory focus on underwriting quality of commercial real estate loans, resulting in a slowdown in the pace of lending. With hundreds of billions of CMBS loans maturing in the next two years, there is some concern that supply of capital will fall short of demand. But owners of existing multifamily properties will be able to refinance without too much difficulty, due to several relevant factors.

Money is flowing into the U.S. from around the world, because we are seen as a safe haven while most of the rest of the world is less secure economically. Foreign capital seeks assets that people in those countries understand – and everyone understands apartments. Capital inflows are helping keep interest rates low on a historic basis, a factor that helps borrowers gain greater proceeds when financing or refinancing properties.

The apartment market is shielded to some degree against the looming challenge of CMBS financing because Fannie Mae, Freddie Mac and the Federal Housing Authority are offering favorable terms on development and acquisition/refinance loans. For instance, FHA recently reduced the mortgage insurance premium on affordable and energy-efficient, market-rate apartment deals. In addition, early rate locks on forward-commitment options are coming back into the market, eliminating interest-rate risk for projects in lease up.

In short, the apartment finance market is on relatively solid ground to weather any volatility in the capital markets. As long as demographic and cultural trends are driving more people to choose apartments over homeownership, fundamentals like rent and occupancy will remain strong, and capital sources will continue to seek out opportunities to fund new and existing properties. ▲

Financial Market

Rising interest deflates hope for higher values

The 10-year Treasury rate ascended more than 70 basis points in the two months following this year's presidential election. The Federal Reserve stated its intent to increase interest rates throughout 2017.

Freddie Mac and Fannie Mae loan programs were created by Congress to perform an important role in the nation's housing finance system – to provide liquidity, stability and affordability to the mortgage market. They provide liquidity (ready access to funds on reasonable terms) to the thousands of banks, savings and loans, and mortgage companies that make loans to finance housing. These two loan programs have had the biggest jump in their interest rates, as these two loan programs are directly connected to these long-term metrics. Many multifamily investors were once enamored by new low interest rates. Now, many multifamily investors have become desensitized and spoiled by interest rates under 4 percent.

The days of interest rates in the low to high teens do not seem to be impending, by any means. However, the chances of interest rates being higher five years from now seems much more feasible, given the historical trends of interest rates. In the mid-2000s, we were in an interest-rate environment that typically cost the investor in the mid-5 to low-6 percent range. These rates, although historically low for the time, seem to be the direction that the Feds want to incrementally achieve again.

Multifamily assets have started to and will continue to be affected by rising interest rates. The question

Ryan Floyd
Managing director, Greystone Unique Apartment Group, Denver

that remains in the minds of many multifamily investors is: When and by how much? We have seen, especially in the newer multifamily product, values dropping to as low as 8 to 12 percent just in the last 90 days alone. Investors are considering buying a 4.25 to 4.75 percent cap rate with debt levels above 4 percent. With the threat of increasing interest rates, the effect is to either retract their plans to purchase or, at the very least, rethink their investment strategy.

Larger, more institutional capital with "patient money" could afford to chase smaller margin deals that only yielded 3 percent returns. Those returns continue to shrink and several institutional capital firms now are contemplating a holding pattern. Even if the holding period becomes a wait-and-see attitude to keep capital on the sidelines until there is more certainty, clarity or direction with the new administration to achieve some degree of positive leverage, cap rates must, at some point, fundamentally retreat backward. This could equate closer to a 5 percent cap rate, depending on the product and proximity to the core and transportation-oriented development areas for newer built product. To put that into perspective, this equates to about a 10 to 12 percent decrease in multifamily asset value!

Jason Koch
Managing director, Greystone Unique Apartment Group, Denver

Recently built apartment buildings are realizing less and less rent growth as more competition comes to the market. Although demand seems to be steady, concessions are occurring in many new projects and a month (or two) may be the new norm. In the future, this translates to investors drawing back on what they were once willing to pay for an apartment investment property.

The different apartment building classes will not experience these changes in the same way. When it comes to Class B and Class C apartment buildings, the effect may not be seen as immediately or dramatically as the Class A apartment buildings. One could make this conclusion because Class B and C apartment assets trade with higher cap rates due.

In the current Denver multifamily climate, older multifamily product is trading in the low 5 percent cap rate up to the high 7 percent range, depending on the property's location and condition. For example, a B product in the core could trade at a 5 percent cap rate or even lower in some cases. The strategy in this example is to buy, renovate and achieve not only rents that are more competitive than the A product but also a higher end yield than the A product purchases. In terms of B and C properties, the delta in interest rate to the cap rate ratio allows for the increase in interest rates to be absorbed without the dramatic increase to cap rates.

Value-add types of multifamily product also feel pressure. Pro-forma rents are becoming more of an unsure measuring tool for stress testing the sufficient future returns on an older renovated property. At some point, the concessions for the A product trickle down to the B and C product to compete with the highly amenitized newer construction product.

For example, if the rent for a one-bed, one-bath in central Denver that was built in 1970 pushes to $1,200 and has very little amenities, such as no parking and only a laundry room for a perk, that property could be competing against a one-bed, one-bath new construction that has parking, a dog wash, a lazy river and a balcony for $1,700 with two months' free rent, yielding the tenant a net savings. That scenario transpires into the Class B building lowering rent, etc. This has happened before in our market, and we know history repeats itself.

To conclude, Class B and C multifamily asset types will have a stronger outlook moving forward than the Class A product in terms of rent growth. Developers are simply unable to build what would rival Class B and C product due to available and affordable land, not to mention the development's hard and soft costs.

In the past, interest rates have allowed values to continue to climb upward at a staggering rate. This will continue to be a main point of discussion along with how values can be softened. ▲


Multifamily Brokerage & Lending
WE GET IT DONE
85 Colorado sale transactions totaling $180M in 2016.
$7B multifamily loans originated in 2016 by Greystone.*
$1B in multifamily national sale transactions in 2016 by Greystone.*
* References to the term "Greystone" and "we" refer to Greystone & Co., Inc. and/or its affiliated companies, as applicable. Loans are offered through Greystone Funding Corporation, Greystone Servicing Corporation, Inc. and/or other Greystone affiliates.

Sustainability

Going green: A passing trend or a new standard?

Ray White
Vice president, multifamily sales, JLL, Denver

Colorado's multifamily housing climate is changing. Rental rates have experienced a 44 percent growth over the last five years, with the current average rental price at $1,340 per month compared to $928 per month at the end of 2011. In addition to growth, the demands are changing.

In a cultural climate where "going green" is as much a savvy marketing strategy as an altruistic business decision, multifamily projects are popping up all over the state touting their sustainable design features. But the question remains, is "green" still a fad or is some form of sustainable design the new standard for building going forward?

From what we're seeing from property developers and owners, as well as the trends we are seeing in leasing, we'd err on the side of the latter.

• **Increased buy-in.** What was once a city known for the brown cloud of pollution that hung over it, Denver has worked hard to clean up its act. Sustainability isn't just a buzzword for the city; it's part of a multiyear mission to transform how the area is taking care of its people and environment.

The city ranked No. 9 on the Environmental Protection Agency's 2016 Energy Star Top Cities list. Denver is on the map for cutting emissions through energy efficiency. The city also established 12 major sustainability goals it aims to achieve by 2020, several of which are important for developers and owners.

By 2020, the city plans to reduce the total amount of energy consumed by buildings, mobility and industrial processes to below 2012 levels; increase citywide recycling rates to 34 percent or greater; and reduce, per capita, the use of potable water by 22 percent.

And with the city's goal of reducing trips in single-occupant vehicles to no more than 60 percent of commutes, there's a renewed focus on improving public transportation, making transit-oriented developments that much more of a focus moving forward.

Combine that with the fact that the city is a magnet for millennials, and it becomes clear that there will be an increased demand for more sustainable multifamily housing in the future.

• **The millennial factor.** With home prices soaring to record levels, many of the millennials attracted to Colorado's lifestyle will need to rent vs. purchase a home – at least, for the time being. As a result, multifamily developers and owners are paying attention to what they value.

According to Pew Research, millennials are the most sustainable generation to date. These 20- to 35-year-olds are more likely to support strict environmental policies and regulations, prefer to work for sustainable employers, choose sustainable transportation options when possible, and will pay more for eco-friendly products.

Multifamily developers and owners are taking notice. Going green is becoming the standard, not the exception. Leasing agents are quick to highlight the green features of their buildings and community, including composting programs, bike-sharing options and the use of eco-friendly materials in construction. It's become a competitive differentiator.

But just what does being sustainable or green mean in multifamily housing? That's where certification programs come into play.

Benefits of the Certifiably Sustainable

These days, it's almost unheard of to open a new apartment complex or redevelop an existing one without being certifiably green by someone's standard.

LEED and Energy Star remain two of the most popular certification bodies. While LEED certification has been the premium standard for quite some time, it also can be time consuming and costly to go through the process. Many builders are inclined to pursue Energy Star, which is easier to attain in both new builds and retrofit projects.

For those companies for which sustainability is just one part of a total wellness package, there are new certification programs such as the one offered by The International WELL Building Institute, which outlines a performance-based system for measuring, certifying and monitoring features of the built environment that impact human health and well-being. Incidentally, Denver is home to the first community in the state on track to achieve WELL multifamily building certification.

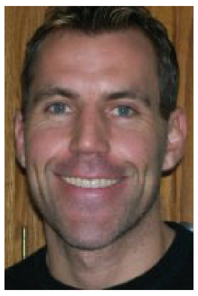
While getting certified can be a headache, it also can come with benefits for the developer/owner. Some lenders will give a discount on loan interest rates for using sustainable practices. For example, for properties that qualify as "green" under Fannie Mae and Freddie Mac guidelines, loan spreads can be 13 to 41 basis points lower. In today's yield-driven environment, the reduced debt payments equate to increased value in the capital markets.

Green properties also can be more marketable to potential residents who are willing to pay a premium for things like composting, recycling and low-flush toilets. There's anecdotal evidence that environmentally conscious residents are inclined to take more ownership in a sustainable property, creating a stronger sense of community where people take better care of common spaces.

One such apartment complex that has experienced these benefits is Denizen, a 275-unit community located 20 feet from the Alameda light-rail station. Denizen was the first market-rate LEED Platinum rental building in Denver. It was over 90 percent occupied three months after its completion and has seen rental rates increase more than 10 percent in just over a year.

Given the complexity of these large developments, it is nearly impossible for a developer to pinpoint exactly what the added cost is for going green. While there is some speculation on how going green impacts return on investment as more multifamily communities employ sustainable design features, more hard data will begin rolling in. It's safe to say in the meantime that as long as the city of Denver and residents continue to demand sustainable practices, they are here to stay. ▲

2017 ushers in new water fixture requirements



Frank Kinder
Senior conservation specialist, Colorado Springs Utilities, Colorado Springs

Among the many tenets of property management, utility consumption is paramount to affordability and profitability, with water being an increased area of focus. In the last 10 years, Colorado's popularity and continuing growth has lead to substantial increases in populations around the state and especially the Front Range. After the housing crash, many of these new citizens are choosing apartments, and the market has shown considerable transactions and repositioning as ownerships change and investors seek to maximize rent and attract these new potential tenants.

At the same time, a continuing drought since the year 2000 has placed new demands on water utilities to modify and maximize existing supply systems while developing new sources. In fact, serious regional droughts required many Colorado water providers to implement water-use restrictions in the early 2000s and again in 2013.

Climate variations are modifying traditional business models, imposing new operational challenges. Many utilities have raised rates to meet these needs and serve these new customers, placing price pressure on all customers. On a broader scope and perhaps a benefit of this serious drought across the West is a raised awareness of water scarcity and use, with an emphasis of more care and conservation as a component of effective water management. In effect, we're paying more attention. Solutions abound to continue our high quality of life while using energy and water more efficiently and, often, a little differently than in the past. People are noticing, and people care.

Industry has responded with collaboration among manufacturers, utilities, government and suppliers to provide high-performing, water-saving and affordable new fixtures and water-use methods.

The Environmental Protection Agency's WaterSense program launched in 2006 to overcome stubborn stigmas about water-savings fixtures and created standards and methodologies for new products to perform their tasks successfully while using 20 percent or less water than existing models' regulations. Through collaborative, open development and clever innovations, multiple new technologies and companies produced and offer WaterSense-approved fixtures and devices, which require no sacrifice by the user, owner, installer or management.

In the last 10 years, WaterSense has overseen the advent of new toilets, showerheads, faucets, urinals, irrigation controllers, new home certifications and even industry recognition for landscaping professionals. This evolution of water-efficient devices has been well accepted by the retail segment, commercial suppliers, plumbers, and residential and business customers alike – culminating in over 1 trillion gallons of water saved in that time. WaterSense is an excellent example of win-win collaboration and has gained the confidence of stakeholders.

Following suit, a Colorado bipartisan state bill ushered in the slow removal of less-efficient indoor bathroom fixtures. Plumbers, suppliers, utilities and manufactures were all supportive.

As of 2017, only WaterSense-approved fixtures are to be sold in Colorado. This bill follows actions taken by Texas, Georgia and California. It's considered a very low-cost and simple way to add water efficiency to the state while keeping more water available for crops, rivers and other shared uses.

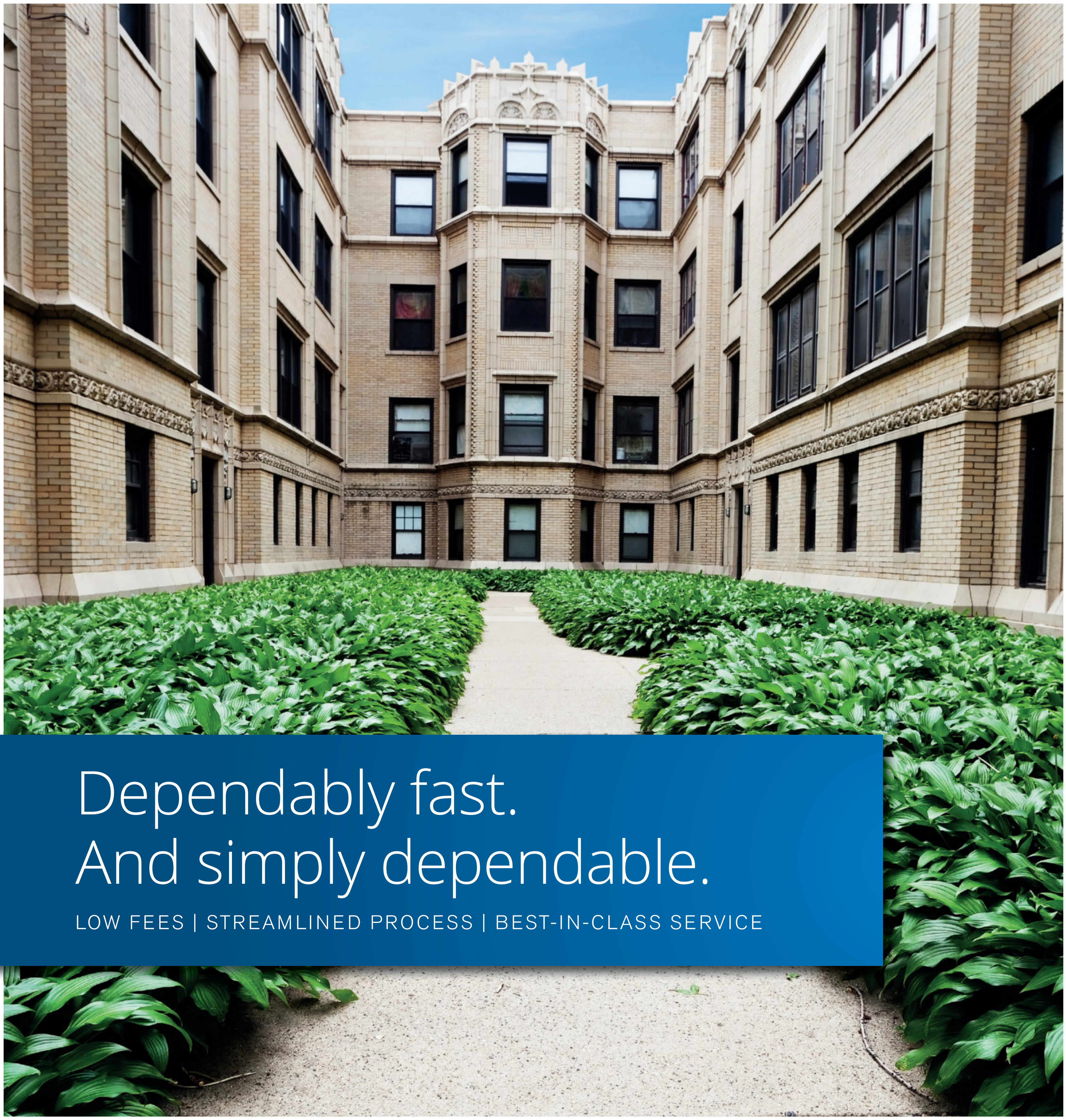
In the multifamily sector, water conservation has become a focus area for management and capital investment. While obvious operations expenses, such as water costs and maintenance issues for aging fixtures, drive some of the focus, additional new factors, such as corporate social responsibility and sustainability initiatives, also support better care of water use.

While some firms are driven strictly by improved return-on-investment scenarios from direct water and labor costs, others recognize the significant marketing value in responsibly doing their part to conserve a very scarce resource, while also keeping shared utility costs manageable. These attributes can be important to first-time renters, such as millennials, or environmentally conscious demographics. They also demonstrate tangible examples to match new social engagement strategies to create greener communities and enhance tenant participation and connectivity.

In addition, water-efficiency investments can keep water costs to an appropriate ratio of overall expenses, allowing room for rate increases or distribution necessities. Finally, upgrading to WaterSense fixtures can help with affordability and compliance of low-income housing programs and overcome the water portion of shared use conservation behavior dilemma of ratio-utility-billing-system managed properties, according to Cohn Reznick's "The Low-Income Housing Tax Credit Program at Year 30: An Operating Expense Analysis."

As manufacturers have expanded models and features and transitioned factories to mainly produce WaterSense-approved products, unit costs for most of these items are very competitive. From some major suppliers, WaterSense toilets can be in the range of $75. Historically, many owners kept existing toilets, unless they were failing or other prevailing conditions required replacement. Now many owners and managers perform change outs at turns, remodels, during rehabilitation or as a one-off, whole property upgrade project, often with in-house labor or through contract plumbing

Please see 'Kinder,' Page 29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Broker Insights

How does present day activity compare to the past?

As the multifamily industry ponders how to meet the housing needs of millennials and baby boomers, Colorado is facing two very different demographic paths looking forward. How we recognize and react to the needs of these population groups will have a major effect on the health of our state in future years to come.

Things are good right now in Colorado. We were the second-fastest growing state in 2015, according to the census bureau. U.S. News and World Report ranked Denver first and Colorado Springs fifth in its 2016 Annual Best Places to Live rankings.

Communities up and down the Front Range consistently are ranked in the top tier of best-in-class lists. The appeal of Colorado's outdoor lifestyle, highly educated and healthy population, agreeable weather pattern and diversified economy are attracting companies and members of the millennial generation.

At 34, I am one of the older members of the millennial generation. I wanted to share a millennial perspective and some conversations I recently had with my more experienced and wise baby-boomer partner, Tom Wanberg, regarding demographics and Denver's destiny.

Demographic trends and what the future holds have been popular topics of conversation lately. I approached Wanberg with my comment that people have never seen this many cranes in Denver. The marketplace, the press and all sorts of experts have been anxiously trying

John Blackshire
Associate broker, Transwestern, Denver

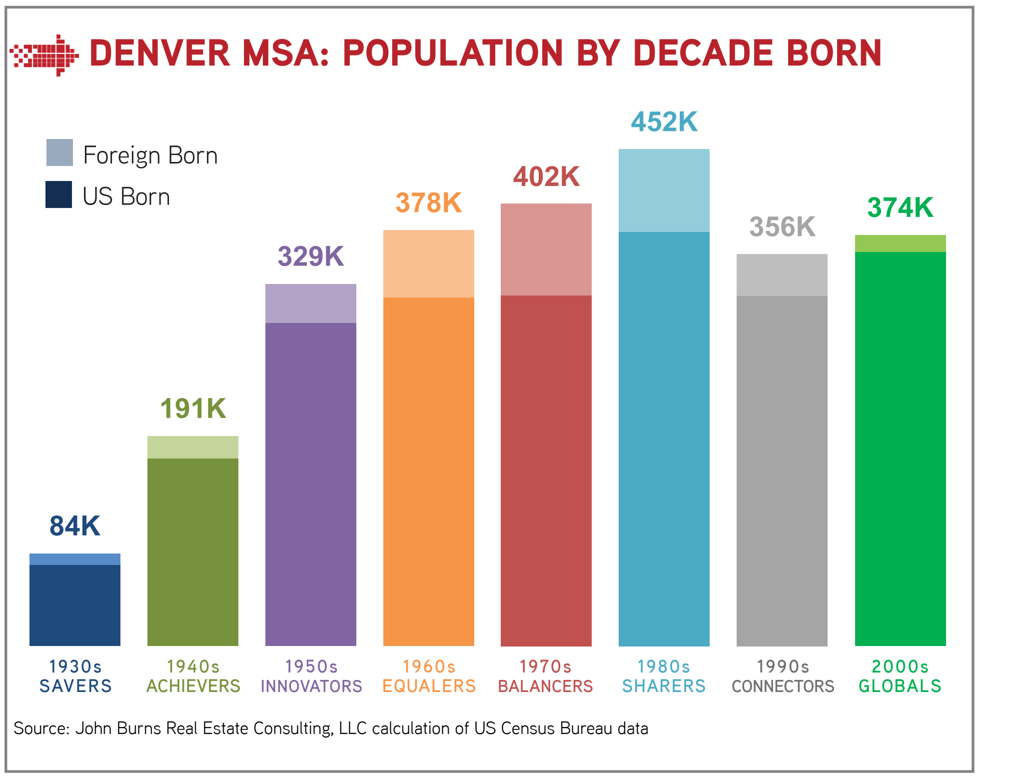
to predict if millennials will keep coming. Will millennials move out of their parent's homes and will they have wage growth to support the luxury apartment construction going on?

As to baby boomers, what do they want? Will they downsize and move into smaller homes, condos or apartments? Will they migrate to Denver to be closer to their grandkids? Will they want downtown convenience or golf-course living in the suburbs?

"Sometimes it's best to move out of the trees and get in the airplane to reassess the landscape," Wanberg said. "We'll adjust faster than you think to the cranes; remember the reason there are more cranes now is that we are building up in order to accommodate an urban lifestyle. We used to build out. In fact, there was a lot more construction back in the '70s than there is now."

On that note, Wanberg told me to go talk to Cary Bruteig, principal at Apartment Appraisers & Consultants, who has been studying and appraising Colorado apartments for decades. Bruteig told me the largest number of multifamily permits for metro Denver was pulled in 1973 and was around 25,000.

"The interesting thing about demographics in Denver is that the population percentages between millennials and baby boomers is relatively similar," he said.



The population for metro Denver was relatively constant for those born between 1960 and 2010, according to John Burns' book, "Big Shifts Ahead – Demographic Clarity for Businesses."

Bruteig knows what he is talking about. Author and consultant, John Burns, in his latest book "Big Shifts Ahead - Demographic Clarity for Businesses" discusses the trends behind this phenomenon. In the graph, Burns showed how the population for metro Denver was relatively constant for those born between 1960 and 2010.

I went back to Wanberg and explained what I'd learned. With Denver absorbing 6,000 to 8,000 units a year for the past couple years and Bruteig's latest fourth-quarter construction report showing 25,382 units under construction and another 26,884 units planned, I said investors still have concerns about a big bust.

"Things are a little different now," said Wanberg. "We have moved from a tertiary market to a primary market. We're not the 12-hour city that we use to be. Go talk to Tom Clark."

Clark, executive vice president at

Please see 'Blackshire,' Page 31

Denver vows to keep affordable pipeline strong

Paul Washington
Executive director, Denver Office of Economic Development

When it comes to housing insecurity, the city and county of Denver is working harder than ever to make our community accessible and affordable for current and future generations. From investing in affordable multifamily developments, promoting the integration of affordable units within market-rate developments and acquiring sites for future affordable build-out, the city is working on many different levels to make Denver an inclusive community for all.

As a gap financier, the Denver Office of Economic Development supports the development and preservation of income-restricted units throughout the city. This is a very busy time for OED's housing division. Just last year, nine of our recently funded housing developments were completed, delivering 753 new affordable units and an additional 147 units that were rehabilitated and preserved. Our pipeline is even more robust, with 15 OED-supported developments under construction and slated to provide 943 units across the entire homeless to homeownership spectrum.

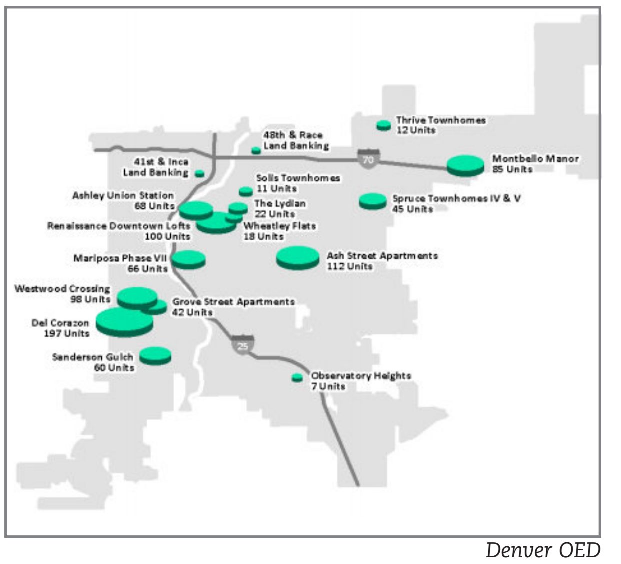
One of our most ambitious and exciting strategies is to spur the development of mixed-income, for-sale housing along Denver's mass transit corridors. Last fall, OED initiated a deal with Confluence Cos., which is projected to bring more than 300 units, including apartments and condos, to 41st Avenue and Inca Street, across the pedestrian bridge from the 41st Avenue and Fox Street commuter-rail station. The city provided a $3 million loan to support the land acquisition, and construction is anticipated to begin later this year.

Together with the Regional Transportation District, we're taking a similar approach in Five Points. The RTD Board of Directors recently granted the city and county of Denver the option to purchase a vacant parking lot at 29th and Welton streets. We're currently designing a competitive process to solicit developers to build a mixed-income condo project on this site. The city is positioned to assign its purchasing option to a selected developer, with the final purchase price based on a fair-market appraisal of the property. To help make such a project pencil out, the OED wil provide gap financing to the selected developer.

It's important to note that this is much more than a one-time strategy. We look forward to replicating this model to propel the development of similar homeownership opportunities for hardworking residents at transit-oriented development sites throughout the city.

Other highlights in our pipeline include the Ash Street Apartments. A project of Koelbel and Co., Mile High Development and Long Peak Advisors, the five-story building will provide 112 units and ensure affordability within the redevelopment of the former University of Colorado Health Sciences Center.

In Westwood, OED is investing in three separate projects. Westwood Crossing, Grove Street Apartments and Del Corazon are being developed by McDermott Properties, Gorman & Co., and St. Charles Town Co, respectively.



Denver OED

Denver-supported affordable housing projects.

Fostering the development of mixed-income communities – where low- and moderate-income families live alongside higher-income families paying market-rate prices – is important to building strong communities. Working with Palisade Partners, we're achieving this vision through financing of both The Wheatley Flats and The Lydian. Together, these projects will provide 40 affordable units, without the benefit of low-income housing tax credits.

For our most vulnerable populations, we're helping make the Colorado Coalition for the Homelessness' Renaissance Downtown Lofts possible in Five Points. We're also supporting construction of the Mental Health Center of Denver's Sanderson Apartments, which will house 60 of Denver's chronically homeless as part of the city's Social Impact Bond program.

These are just a few of our current projects. More details on the city's affordable investments are available at www.denvergov.org/housing.

While our gap financing projects are busier than ever, we look forward to making an even greater difference through the city's new Dedicated Fund for Affordable Housing. The 10-year, $150 million fund launched this new year and provides the OED with the strongest tool in its toolbox to advance affordability for our residents, create inclusive neighborhoods and promote strong economic development through a stable workforce. ▲

Market Trends

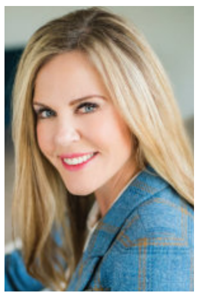
Row houses gain popularity in tight condo market

While there is a scarcity of for-sale condominiums available in Denver, a different product type – row homes – is filling the void. There are several row home developments underway in Denver, and the individual-home design of row homes is preferable for buyers who don't want to live in a multistory, multiresidence condo building.

Row homes are a natural evolution of the densification of any urban area. In cities with longer histories on the East and West Coasts, the row home is the standard for living in areas that provide a pedestrian-oriented environment. Think Georgetown in Washington, D.C., Lincoln Park in Chicago, Beacon Hill in Boston or Pacific Heights in San Francisco. These are walkable neighborhoods, where residents are accustomed to the density, while also enjoying the intimacy and privacy afforded to them by a row home.

This is relatively new product type for Denver, but as the city continues to evolve with the desire for all demographics to live in a location where you can "walk to the coffee shop," it will continue to be a more common style of home. It also is becoming a popular substitute for people who aren't able to find or afford a condominium to live in, because of a lack of availability, due in large part, to the construction defect laws that have been hampering condo development in Denver for the past several years.

Not only is there a lack of availability of condos, but also the condo lifestyle doesn't appeal to everyone. Row homes provide buyers with the autonomy of a detached, single-family home with a private entrance, private garage and private outdoor space, combined with the lock-and-leave, low-maintenance benefits of a condo building, without being on top of or below another unit.



Liz Richards
Broker associate, Kentwood City Properties/Perry Row at Sloans, Denver

Deviree Vallejo
Broker associate, Kentwood City Properties/Perry Row at Sloans, Denver

Some of the features of a row home include:

• **Outdoor spaces.** Row homes are designed to provide residents with their own private outdoor spaces. Whether it's a rooftop terrace (complete with a garden or lawn) or a fenced-in courtyard, people can take a few steps and be outside. The outdoor spaces provided in a row home are an especially desirable feature to dog owners, who want as much convenience as possible for their pets.

• **Wide-open floor plans.** Because row homes aren't stacked on top of each other, nor are they as confined in design as a condominium building, there is a greater opportunity for open floor plans. For example, interior condominium units are naturally boxed in by neighboring units, meaning there is only one outdoor view. Row homes don't have the same confinement, and residents can enjoy more ample, natural light sources from nearly all of the rooms of their house.

• **Great economy.** Row homes can provide a better economy, in terms of space and price. For example, the average new construction condo will cost upward of $450 per square foot, and row homes, in many areas, are below $400 per sf, according to Metrolist.

• **More privacy.** Row homes provide a level of privacy that a condo building can't achieve, based on design and the number of people living in the development. The owner of a row home can enjoy entering his own front door, as opposed to a lobby entrance that is shared by other residents. A row home owner doesn't have to ride on elevators with strangers, bump shoulders with people he vaguely knows in a mail room, share common areas (both indoors and out) with others or worry about his dog getting into a scrap with a fellow canine in a public space. Row homes often provide private garages with additional storage space. All of these features provide more privacy and the ability to interact with neighbors at your choosing. ▲

Sprocket Design Build

Perry Row at Sloans in northwest Denver, located at 1600 Perry St., is a row home project one block from the lake, with units ranging in price from $489,000 to $825,000.

Multifamily Broker Directory

MULTIFAMILY BROKER DIRECTORY

For contact information, firm profiles and links, please visit **www.crej.com,** click on Industry Directory, then Brokers, then Multifamily subcategory

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Design Trends

Create apartment authenticity with strong design

Andy Mutz
Senior vice president, development, AMLI Residential, Greenwood Village

Being a Chicago Cubs fan, I was very excited this past fall with its World Series victory. However, I immediately started looking forward to next year and wondering how the Cubs will respond to that success. At the recent Cubs Convention, manager Joe Maddon focused some of his remarks on the importance of authenticity, how to achieve it and how to maintain it.

Authenticity is something I think a lot about as it relates to the apartment market. Now more than ever, the majority of renters, particularly those with disposable income, desire or demand authenticity. This is expressed in many related areas: the organic food movement, the farm-to-table movement, the sustainability movement, the maker movement and others. How then with 20,000-plus units under construction around Denver as well as substantial land, fee and hard cost pressures can a company develop a ground-up project that is authentic? Part of the answer is to focus intensely on design. Gone are the days of 400-unit garden-apartment projects with two different building types and six unit plans.

Apartments have become less of a commodity and more of a destination. Buildings are more complex and must be thoughtfully designed to fit the location and complement the amenities and unit layouts to achieve maximum "authenticity" and resultant value creation.

I am sure many could rattle off pages of design trends we've all seen come and go. However, we can pinpoint trends that have stuck and become a differentiator for a property. Either a feature or amenity that added value or the absence of one that led to a competitive disadvantage. Something was developed and promoted to capture higher rents, or we tried to find ways to overcome objections. This presents a great opportunity for owners and developers today. If we think carefully about evolving consumer preferences, it is possible to design a community that connects with these evolving desires. Good design is always changing, just as consumer preferences are always in flux.

AMLI Residential
It does not take much to enliven a bike repair room to complement a property's identity.

In an increasingly competitive marketplace in which everyone is chasing the same renters, one can't just dip into the same old well of luxury single-family and hotel sources for inspiration. For a consumer set that is proven to show preference for authenticity, we have to be careful to avoid fabricated experiences and fads.

The question then becomes how to achieve that authenticity. The floor plan and unit finishes are the most important elements of the decision to rent, studies by Kingsley Associates and others show. So, the unit itself is the best opportunity to create a genuine connection with a renter. In the past, unit plans and finishes were routinely recycled. As the competitive marketplace grows, this practice will be less successful in attracting the target renter demographic. If a prospect tours five properties with roughly identical finishes, authenticity is not what springs to mind.

The first challenge it to accurately define the targeted prospect; is it up-and-coming millennials, established 30-somethings, 50-plus empty nesters or perhaps all three? Urban versus suburban also has a large impact on what renters are seeking from a rental home, both in terms of layout and finish. Ask yourself – is the community in an established neighborhood or trying to capitalize on a path of growth in a rapidly evolving location? All of these questions and more should influence the design and layout of the unit, including the finishes selected.

Similarly, the leasing office has significant importance because it is the first opportunity to make an impression on a prospect. The leasing office should relate to the submarket in which the property is located. If

Please see 'Mutz,' Page 31

Multifamily Properties Quarterly - Financing Sources Matrix

TYPE OF CAPITAL	SOURCE OF CAPITAL	EXPLANATION	RATES/SPREADS	LTV/COVERAGE	TERM	AMORTIZATION	FOCUS	TRENDS
LIFE INSURANCE COMPANY	• Insurance premiums • Annuity and GIC sales	• Non-Recourse • Longer-term fixed rate loan	175-210 bps over the comparable US Treasuries	• Up to 70% LTV • 1.25x Minimum DCR	5-30 Years	25-30 Years	• Market rate properties in major metro areas • B quality properties and above	• Many life insurance companies are ahead of plan for multifamily allocations and look to become more selective in 2nd half of 2016 • Most competitive at lower to moderate leverage with strong sponsor • Flexible prepayment penalties available for small pricing premium • At right leverage (~60%) lenders can do Interest Only • Best source for terms over 10 years
AGENCY	• Sales of mortgage-backed securities with implied government guaranty	• Non-Recourse • Longer-term fixed rate loan	225-250 bps over the comparable US Treasuries	• Up to 80% LTV • 1.20x Minimum DCR	5-30 Years	30 Years	• Market Rate • Age-Restricted • Affordable/Workforce • Major metro areas • Secondary/Tertiary Markets • C quality properties and above	• Operating through specially designated underwriters • Comparable pricing for affordable/workforce housing • Minimum investment is typically 1MM with no maximum loan size • Agencies have increased rates and slowed production in the face of government mandated caps
CONDUIT (CMBS)	• Sales of mortgage-backed securities through public markets	• Non-Recourse • Longer-term fixed rate loan	225-275 bps over the greater of Treasuries or Swaps	• Up to 75% LTV • 1.25x Minimum DCR • 8.0% Minimum Debt Yield	5, 7 & 10 Years	30 Years	• Market Rate • Second tier properties • Secondary/Tertiary Markets • C quality properties and above	• Spreads have narrowed 25-75 bps since 4Q 2015 • Most competitive at higher leverage in secondary and tertiary markets • 10 years interest-only under 65% LTV • 5 years interest-only under 70% LTV
BANK	• Corporate Debt • Deposits	• Recourse (some non-recourse available) • Shorter-term fixed and floating rate loans	200-300 bps over bank cost of funds	• Up to 75% LTV for permanent loans • Up to 60% of cost for construction loans	Up to 7 Years Fixed	Interest Only to 25 Years	• Market Rate • Age-Restricted • Affordable/Workforce • Major metro areas • Secondary/Tertiary Markets • B quality properties and above	• Standards are tightening for Sponsors with no deposit relationship, and establishing a deposit relationship is becoming a requirement • Maximum LTC for construction loans has dropped to 55%-60% in last six months • Most competitive for Sponsors with established banking relationships and strong borrower history that are willing to accept recourse • Primarily recourse loans, with non-recourse available to strong sponsors at low leverage • More flexible (open) prepayment terms
DEBT FUND / BRIDGE LOAN	• Private Capital • Institutional Capital	• Non-Recourse • Shorter term bridge loans for acquisition and/or repositioning	LIBOR + 300-550 bps (some w/ floors)	• Up to 85% LTC • Going-in 1.0x DCR	1 - 5 (3+1+1)	Interest Only	• Market Rate • Secondary/Tertiary Markets • C quality properties and above	• Pricing depends on leverage level, property quality, and Sponsor strength

Essex Financial Group - Recent Multifamily Transactions

Highland Place Aparments
Denver, CO
$15,000,000 Permanent Loan
CMBS

Keenan Apartment Portfolio
Nashville, TN
$63,581,000 Permanent Loan
Debt Fund

Belcaro
Colorado Springs, CO
$10,500,000 Permanent Loan
Agency

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VP of Loan Production
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Construction Market

Construction innovations impact multiunit housing

Satyen Patel
CEO, Prescient Co. Inc., Arvada

With Colorado's population growth rate far exceeding the national average, according to the U.S. Census Bureau, limited housing will continue to be an issue statewide. The multifamily market is trying to meet the demand from an increase in population, but the ability to get multifamily projects completed remains as complicated as ever.

Additionally, the architecture, engineering and construction industry is witnessing a shift toward green building aimed at sustainability, adding to the complexity of these projects. Fortunately, advances in technology within the AEC industry have allowed for an evolution in building materials and are creating numerous advantages for companies on the cutting edge.

As the demand for environmentally sensitive construction gains popularity, traditional practices, systems and building materials need to be altered in order to eliminate waste that can account for about one-half of a project's total cost. As a result, innovative companies have begun to develop building materials that are both sustainable and deliver a performance equal or superior to traditional materials like wood and concrete.

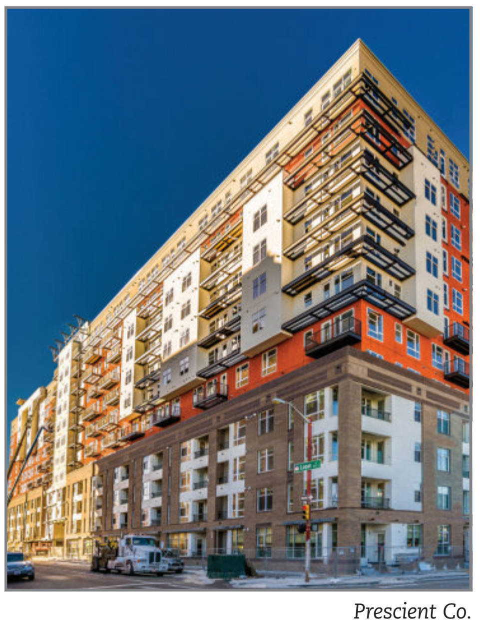
This building materials evolution is being witnessed across the entire multiunit market, including in student housing, multifamily apartment communities and senior living projects.

• **Student housing.** Student housing projects typically feature compact schedules as students need to move in on a specific date by the beginning of the school year. As a result, time is a crucial factor in the student housing sector and utilizing materials that reduce a project's duration without sacrificing quality is ideal.

Technological progress has allowed building materials like light-gauge and cold-formed steel to become optimal for commercial projects crunched for time. Cold-formed steel is not a new building material, but advances in technology have provided speed of assembly previously unmatched in multiunit projects. Standardization of materials is key to simplifying and compressing the time period from design to project completion.

However, it's important to remember that standardization refers to the product process and not to the projects themselves. Standardized processes still yield diverse and unique final products, but the process cuts both time and budget.

Steel framing is dimensionally stable and can be manufactured and installed to very tight tolerances. Investing in advanced design and planning software enables more precise overall planning and execution early in the design process, which reduces the time it takes to complete a project before ground is broken.



Prescient Co.
Alexan Uptown Apartments in Denver

Colorado Christian University just used this technology in its four-story, 90,000-square-foot residence hall in Lakewood. The student housing structure exhibits the advantages that standardized materials bring to the multifamily building sector by delivering an institutional quality structure in one-third the expected install time.

We worked on this project and were able to provide real-time estimates of cost-savings for implementing this technology. Standardized light-gauge steel structural systems lend themselves well to off-site prefabrication and panelization, which further reduces project durations. This technique does not require as many skilled laborers and drastically reduces the need for rework – one of the main reasons for delayed schedules.

Additionally, aggressively phasing in trade engineers can further shorten overall construction durations by months and this framing system doesn't need time to cure, allowing finishing crews to begin work on a newly completed level right away instead of waiting for the entire structure to be finished.

• **Apartment communities.** Another multifamily building sector witnessing the building materials evolution is market-rate apartments. Apartment projects are responsible for a great deal of energy use, resource waste and greenhouse gas emissions. In fact, according to a study released by the Environmental Protection Agency, construction and demolition debris accounted for more than 66 percent of the United States' total waste generated in 2014.

As the demand for more sustainable building options increases, green construction is becoming more desirable and, ultimately, more profitable than ever before. Industry records show that upfront investment in green construction practices makes properties more valuable in the long run.

Additionally, green building projects typically decrease operation

Please see 'Patel,' Page 31

Project Spotlight

Propelling affordability through housing loan fund

In 2013, Northeast Denver Housing Corp. approached Cuningham Group Architecture to develop an affordable housing project in Denver's popular and fast-growing Stapleton neighborhood. NDHC, which has been building housing for low- to moderate-income families since 1982, sought to create an affordable housing development that was undistinguishable from market-rate housing under Denver's new Revolving Affordable Housing Loan Fund.

Launched in 2015 to address the city's growing affordable housing crisis, the program is funded by $6 million from the city and county of Denver, $3 million from the Colorado Department of Local Affairs and $1 million from the Colorado Housing of Finance Authority.

The result is Northfield at Stapleton Apartments, an 84-unit, energy-efficient development that not only provides affordable housing, but also presents a welcoming and inviting face to the community.

• **Encouraging healthy living.** I joined Cuningham Group in 2015, just as the project received funding after a two-year approval process. Affordable housing projects are different than market-rate developments in that they provide family friendly amenities and typically have a larger ratio of two- to three-bedroom units.

Early in our collaborative planning process, NDHC underscored the importance of designing an energy-efficient development. Not only does a green building reduce impacts on human health and the environment, but also it keeps utility costs minimal for the development's occupants.

Erik Okland, AIA, NCARB, LEED AP BD+C
Associate principal, Cuningham Group Architecture, Denver

In addition to incorporating sustainability features, NDHC developers desired specific design details that would increase the livability of its units. Specifically, they wanted the units to "live big" by featuring tall ceilings and large windows. The project also emphasizes healthy living and each unit features efficient kitchen designs with dining tables to encourage families to gather for meals. The development also includes pedestrian walkways and a center courtyard to provide a safe retreat from busy adjacent streets and space for large playgrounds, outdoor cooking and gardening.

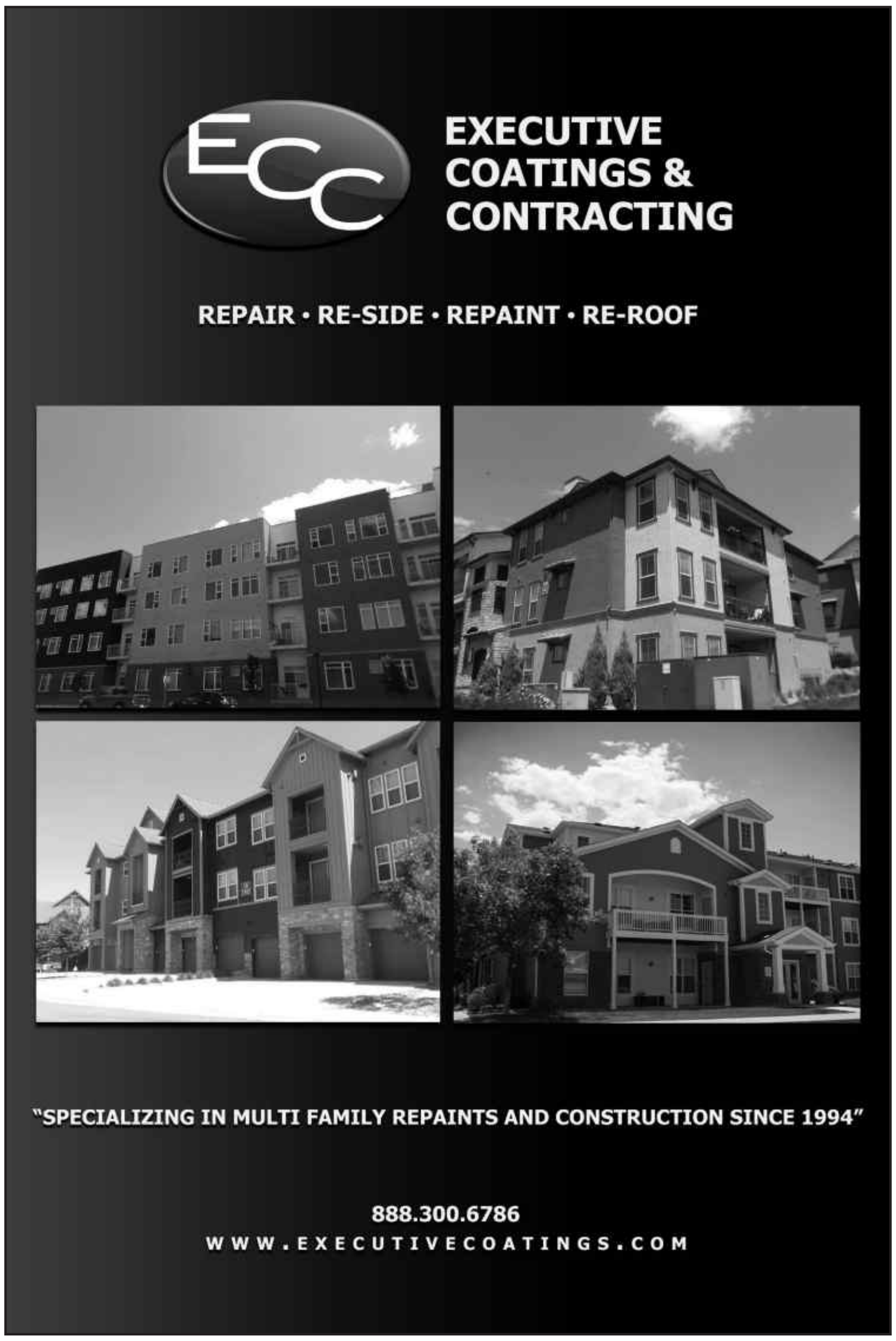
• **Team approach.** Thanks to a great partnership with NDHC throughout the design process, the project progressed smoothly, and together we started the planning phase for a new project. Soon, however, NDHC made the decision to fast track the project in order to reduce costs amid concerns of possible lending delays and interest rate hikes. At this point, not only was our timeframe significantly shortened, but also construction was over budget. Our team developed a new project schedule that started from the back end to help us prepare for possible delays in the city's review process.

Ross Copperthwaite

Northfield at Stapleton Apartments was funded under Denver's new Revolving Affordable Housing Loan Fund.

Over the next few months, the

Please see 'Okland,' Page 29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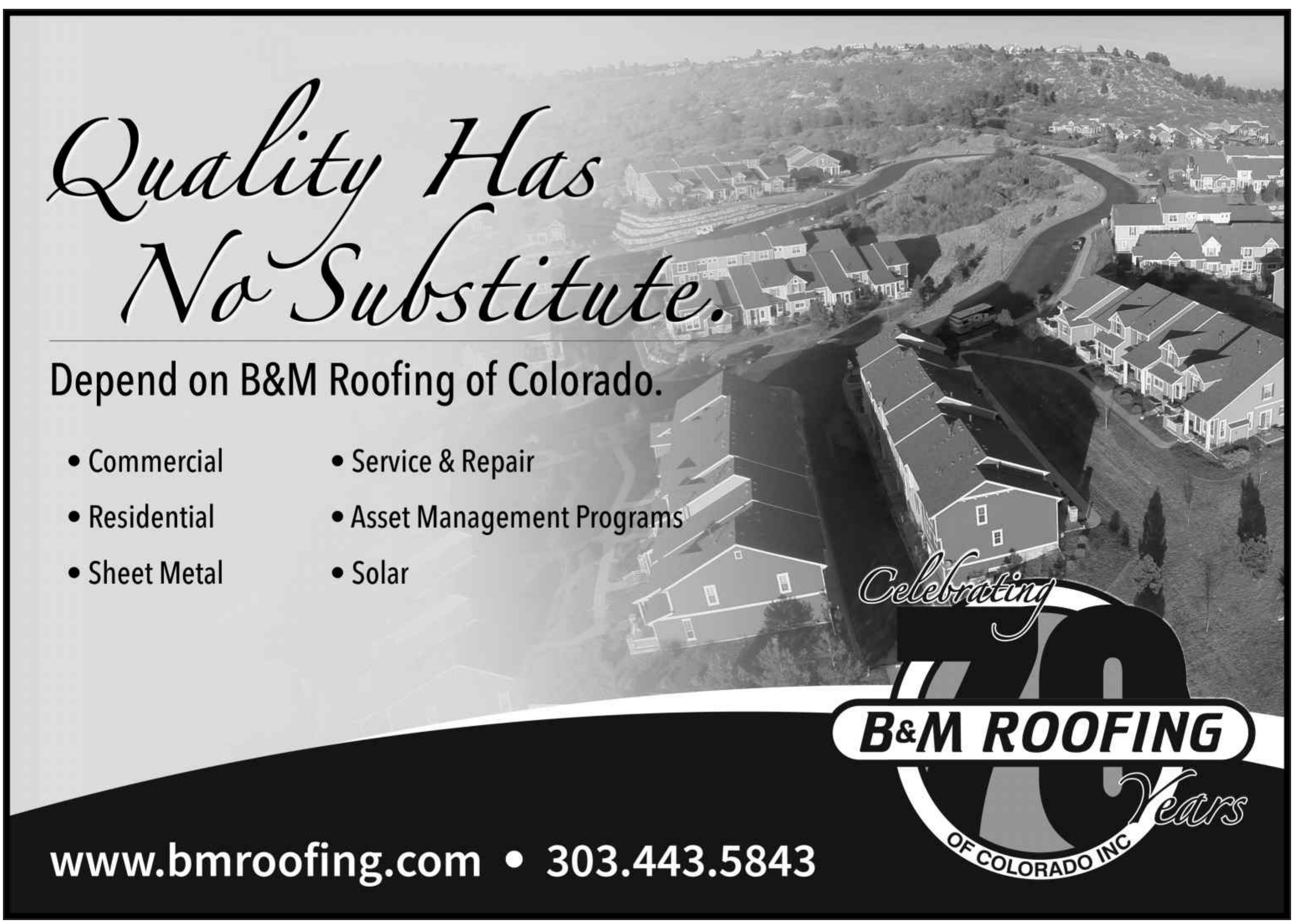
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Management

Know the components, coverages in your policy

Dustin Thome
Executive vice president, The Buckner Co., Denver

As an insurance broker who specializes in apartment building, complex and community association insurance, often I am asked to provide new owners and buyers, as well as established building owners, with a basic understanding of the key coverages associated with an apartment building/complex insurance policy. It's scary to review insurance policies at times to discover that these property owners might not be covered for what they thought they were. Some of these insurance policies can be hundreds of pages long and, believe me, we can spend hours within just a couple of pages on these policies.

The apartment insurance policy is made up of two key components: the real property portion and the premises general liability portion. The portion that dictates the majority of the premium is the real property portion of the policy.

Within this section you will find your building coverage, which includes protection and coverage against perils such as fire, water, wind, hail, theft, vandalism, etc. The most expensive portion of the policy is coming from your building-coverage limit. Building-coverage limits can come in many valuation types, and the two most popular types are replacement cost or actual cash value.

Replacement cost is what it would cost to replace and rebuild the structure to like kind and quality in today's market compared to actual cash value, which would be what the building and materials are worth today after depreciation. While there are some situations that make sense to insure a building at actual cash value, it's usually recommended to go with replacement cost, if you can.

Replacement cost should not be confused with market value, which takes into consideration land value and other variables. Especially in today's hot market, it is not unusual for apartment building replacement cost to be less, or maybe even a lot less, than market value. Your insurance agent or broker can work with you to come up with the correct replacement cost number.

Digging deeper into the property portion of the policy, you will find some key coverages to consider and review – items like wind and hail deductibles, ordinance or law endorsements, loss of rent, equipment breakdown/boiler and machinery, and water and sewer backup coverage. All of these are key to reducing your exposures as a property owner.

A new norm on apartment building insurance policies is increased wind/hail deductibles. Within your property insurance policy will be the property deductible and, often, you will have a separate and increased wind/hail deductible. These increased deductibles are a result of the wind and hail claims insurance carriers have suffered over the last five to 10 years.

According to 9News, a report by the National Insurance Crime Bureau places Denver as second in the nation for hail-related insurance claims. In 2015, Coloradans filed over 180,000 hail loss claims. Only Texas had more.

Often the wind/hail deductibles are percentage-type deductibles. This is not a percentage of the claim, but rather a percentage of the building-replacement cost limit that is listed on your insurance policy. For example, say you have $1 million in building-coverage limits assuming a 2 percent wind/hail deductible. If the roof is damaged by wind or hail, the deductible would be $20,000 or 2 percent of the building-coverage limit. There are separate insurance policies that can buy down a percentage wind/hail deductible to a lower deductible.

Loss of rent, boiler and machinery, and water/sewer backup coverages are fairly self-explanatory but important. Another important item to examine is ordinance or law coverage. This provides coverage for the increased cost of construction to rebuild to current code. This is especially important for older properties.

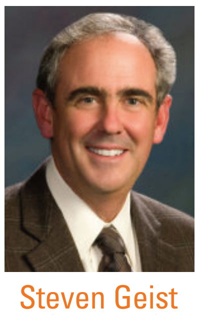
There are three parts to this particular coverage. Coverage A provides coverage for loss to the undamaged portion of a building. If the building was damaged by fire, local jurisdiction can require that the remaining portion of the building be torn down. This coverage pays to rebuild the undamaged portion of the building when it must be demolished to comply with code requirements. Coverage B provides coverage for the cost of demolition. This will pay for the cost to demolish and clear the site of the undamaged portions of the covered building, where the law requires its demolition. And Coverage C provide coverage for the actual increased cost of construction to rebuild to current code. While the increased costs associated with rebuilding to current codes might bring a rude awakening, they need not result in an unpleasant surprise. Properly planned and placed ordinance or law coverage will help make sure that full financial recovery takes place.

The other component of the insurance policy is your premises and general liability portion. This is the least expensive portion of the policy and protects and defends you, the building owner, against suits for bodily injury and property damage claims as a result of the building owner's negligence.

Common general liability claims would be trip-and-fall or slip-and-fall type claims. The insurance company agrees to pay those sums that you, as the building owner,

Please see 'Thome,' Page 31

Pests, insects may threaten your landscape



Steven Geist
Senior consulting arborist and plant pathologist, Swingle Lawn, Tree & Landscape Care, Denver

Your multifamily dwelling is up against increasing competition. With more options available, renters want the best possible experience for their dollar. This includes the facilities and features as well as the overall esthetics, both inside and out.

As the growing season quickly approaches, the esthetics of your landscape might be challenged this year. We compiled a list of pests and insects to keep an eye out for on your property. These pests and insects can be destructive if left untreated, contributing to a devaluing of your property's esthetics.

- **Emerald ash borer.** We predicted that Emerald ash borer would be found outside of Boulder by June 2016. That prediction came true with the discovery in Longmont on June 6, 2016. Though not proven, it is suspected that the infestation came from some transported wood, which contained the borer. This infestation in Longmont is still within the quarantine area in Boulder, which demonstrates how the insect will move and become established.

The responsible method of dealing with ash wood is to take it to an approved disposal site where the material will be buried. We know that as more trees are removed and more infested ash wood is moved, these detections will become more common.

- **Scale insects.** We saw a dramatic increase in the numbers and varieties of scale insects in 2016. Oyster shell scale has not been overly aggressive for 20 years, yet is becoming more prevalent in the northern part of the state. Usually a pest of aspen, oyster shell is back to infesting ash trees and lilac shrubs as well.

Willow scale continues to be found in the southern part of our service area on aspen trees. This is a very prolific insect and devastating to aspens.

European fruit lecanium scale has been around for many years and usually doesn't cause damage. However, in 2016, we saw lecanium becoming aggressive on oak and maple trees. We expect this insect to spread rapidly in 2017. European elm scale has been an issue on American elm for over a half a century in northeastern Colorado. Elm scale has been a consistent problem for longer than any other landscape pest in Colorado. This year should be no different.

- **Japanese beetle.** Japanese beetle is a strong flier – spreading on its own by up to 2 miles per year. Most of the Denver metro area is active with Japanese beetle. Prolific populations exist in Boulder, Longmont and Greeley – the beetle is just getting started in Fort Collins. Feeding from the adults on a wide variety of plants is very noticeable.

We are seeing more larvae (grub) feeding on turf grass roots. For 2017, we are expecting more lawn damage from the beetle larvae.

Swingle Lawn, Tree & Landscape Care

As more trees are removed and more infested ash wood is moved, the detections of Emerald ash borer will become more common around Colorado this year.

- **Aphids on pines.** We've been battling these pests for the past several years throughout the Front Range. This insect persists on Austrian pine for much of the year and can be found in the winter months. With a relatively mild winter thus far, we're expecting the aphid infestations to increase in the early spring.
- **Ips engraver beetles on spruce.** Weather patterns over the past six months favor a resurgence of Ips engraver beetle infestations in blue spruce. This insect causes the death of its host. Once the beetles attack, there is no way to save the tree.
- **Lawn mites.** When we think of mites, we equate them with warmer weather. Lawn mites are cool-season pests that do their damage during the winter and early spring months before the lawns green up for the season. A very warm, dry fall certainly gives the mites an early start. The predicted normal precipitation combined with warmer-than-expected temperatures will create drought conditions early in 2017 – favoring early spring mite infestations.
- **Dutch elm disease and mountain pine beetle.** Yes, Dutch elm disease is still around and there is a risk to American elms as well. But the disease incidence has been very low for the past 13 years, and we don't expect to see a resurgence this year. Mountain pine beetle is a recurring insect. Pine beetle populations are on the decline. We expect to see only spotty activity from this insect in the next several years. ▲

Management

How to cure the backward-marketing epidemic

There's a marketing epidemic going on in the real estate industry. We've fallen behind other industries in how we fight for the attention of our customers – not just in how innovative our methods are, but also in how much we're spending for the lack of return we're getting. I call this epidemic backward marketing, and one of my passions is figuring out how to bring real estate marketing to the front lines in the battle for attention.

Here's what backward marketing looks like. When a project launches, a marketing checklist immediately makes an appearance. Before any competitive advantages, platform strategies or stories are discussed, we're checking off "marketing necessities" that we'll spend money on. T-shirts? Check. Flyers? Check. Bar events? Check. These items are meant to build brand awareness. We have the right goal in mind, but we need to make sure people love our brands before they can ever love our two-bedroom units. This method of marketing couldn't be more inefficient or unappealing to your consumers.

(Let's add an asterisk here. I'm a proponent for modern awareness marketing. That can look like video storytelling with data-driven distribution, creative campaigns that allow people to interact with a nonsales messaging and social media advertising. I'm slightly biased.)

It's inefficient because you could be spending more on backward marketing than the costs associated with other available options. In today's marketing world, unless your media budget is over $1 million, you should be able to measure results from every dollar you spend. I've yet to find marketers who can tell me the impressions, engagements and link clicks their T-shirts or car flyers generated. Out of fear, you're spending too much money on everything because you can't tell exactly what's working and what's not. There are plenty of boxes that get checked by default but shouldn't if we do the right research and market preparation.

Backward marketing means you

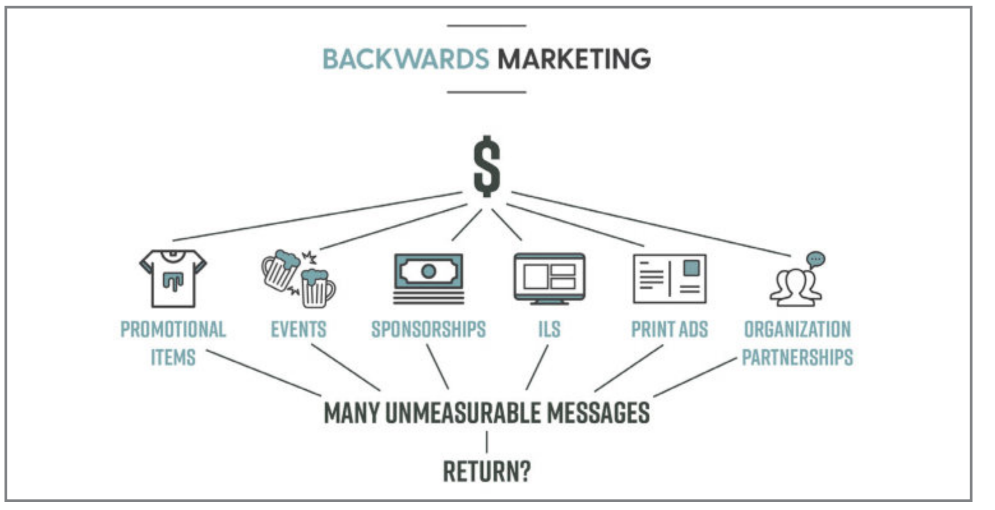
Matt McAllister
Director of strategy, Agency Fifty3, Denver

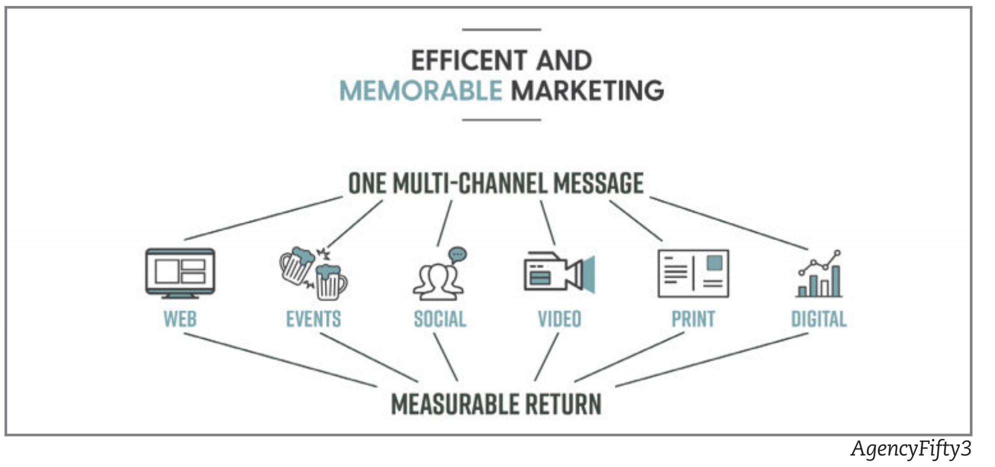
don't stand out. The cardinal sin of marketing is to look and sound like everyone else. We spend lots of time on amenities research so we can offer something different but, when it comes time to introduce the brand, we're all doing the same things. It's impossible to stand out when your marketing plans and tools look the same as everyone else's.

Here's a realistic note about our competition. It's not just the real estate industry. When we put ourselves in the shoes of our consumers, we know that we're competing for their attention with every brand they see on their news feeds and Hulu commercial breaks. This includes companies like Apple, Nike and Coca-Cola. When it comes to marketing, we're not just competing with our competitive set, we're competing for attention with all marketing messages in the world.

In other words, we like to directly compare our digital and social media marketing methods to just the competitive set in our market. In reality, no consumer does that. They see Nike's video in their news feed and then they see yours. They see Apple's social ad and then they see yours. We're competing for the attention of modern consumers with every brand in the world. It's more important than ever that we place a priority on quality – 62 percent of consumers are more likely to have a negative perception of a brand that published a poor quality video.

Backward marketing disregards people and their actual behavior. Students don't look at T-shirts when they walk across campus. They're looking at their phone 110 times a day! No person has ever appreciated being handed a flyer midstep. It's impossible to build an interested brand following when your audience





AgencyFifty3

is actively working to ignore your marketing in the first place.

Here's the solution. Use marketing tools that are necessary instead of just what's on the standard marketing checklist. Do this by establishing one to three competitive advantages. The qualities of your product that are the most likely to lead to a successful sale. Only use marketing tools that support those qualities. Is your location your biggest win? Sunglasses don't tell that story. Scrap them!

The next step is to work with a group with an extensive knowledge of modern awareness marketing. Work with them to accomplish brand awareness by replacing tools you can't measure with things you can. Challenge your marketing partner to tell your brand story in a way that people love and want to hear more about and then have them distribute that message in a way that can tell you exactly how many people are paying attention.

Be efficient by spending money on video to accomplish what you're hoping your collateral and events do. Use advertising platforms that allow you to target specific people instead of blanketing a city or car windshields with a message that might not be relevant. Facebook and Instagram ads and Google pay per click are great tools. Compete for attention with Nike by targeting a local audience and showing them a message that's hyper relevant.

Finally, care desperately about what your consumer wants to see. Entertain them. Create marketing they love to interact with and remember instead of marketing they tolerate or downright hate. If they don't love what we're saying and where we're saying it, how can we expect them to love our communities? ▲

Kinder

Continued from Page 14

or service firms.

Depending on the age and condition of the existing water closet, return on investment can be a year to as little as a few months; a very attractive opportunity with multiple benefits, especially less calls for clogs and overflows. Surprisingly, many tenants place significant importance on the quality of their commode, and managers have reported receiving sincere appreciation for new water closets.

As a conservation specialist, I have seen and heard from multiple customers about the significant financial and intrinsic benefits they've received from installing WaterSense toilets, with some tenants more excited about new commodes than other traditional amenities. Maybe it should be said, "Forget the pool, install a WaterSense stool." Magnify benefits by adding WaterSense showerheads and faucets to perform an entire WaterSense restroom upgrade, and you gain energy savings through hot water efficiency, an aesthesis improvement and durable, immediate and long-term savings.

As of 2017, WaterSense fixtures are now a requirement in Colorado and should be widely available from all resources. Some utilities offer incentives to help with retrofits, and porcelain recycling is available in some communities. Learn more at www3.epa.gov/watersense. ▲

Okland

Continued from Page 26

client, contractor and consultants developed a tight, collaborative structure where pricing and changes were made quickly so that decisions could be made to get a set of permit drawings that would meet our budget. Multiple meetings were held each week to ensure that all team members were on the same page throughout the process.

Since the drawing schedule was condensed, the entire team provided input in real time so progress could continue. Once the drawings were finalized, NDHC's team pressed Denver's building department to expedite the plan review process. Their diligence paid off. I had a plan reviewer call me with comments even before the response letter was issued so we could prepare our next response in just a few days. It was apparent to us that the city had a stake in the project's success and was trying to help any way possible. In addition to having the quickest review timeframe I have ever seen, we received many well wishes for a successful project.

Palace Construction was a great partner and efficient in its preconstruction planning, keeping the project moving forward and meeting the milestones developed by the client. In the fall of 2015, we started construction and throughout the process the team continued to keep project costs down while also providing valuable upgrades to the development, such as a community kitchen and window blinds. Despite having a few setbacks due to weather, we met the final construction deadline. Their team exceeded everyone's expectations throughout and provided exceptional service.

• **A signature project**. Northfield at Stapleton opened last fall and Denver's Mayor Michael Hancock joined community leaders, local officials and business leaders at the grand opening. During the ceremony, Hancock called Northfield at Stapleton a signature project in keeping Denver affordable and accessible.

We achieved our goal of meeting NDHC's budget while creating an affordable and exceptional project. It's a place where residents can be proud to live and is undistinguishable from market-rate housing in the neighborhood. ▲

Market Update

Continued from Page 1

from across the industry shared their expectations for the coming year as well as offered guidance on what to watch to gauge the market's health.

• **Market statistics.** Absorption, vacancy, occupancy and rental rate growth all contribute to the perceived health of the multifamily market. As units continue to come on line in 2017, Bruteig predicts that vacancy will continue to rise.

But experts were quick to note that vacancy and absorption in Colorado typically follow a seasonal pattern. Vacancy tends to push up in the winter months and then decrease April through October, said Shane Ozment with ARA Newmark.

"Denver has always had a seasonal nature to its absorption," said Tom Wanberg and John Blackshire with Transwestern. "We will have a clearer picture of where the downtown market stands by July."

After years of double-digit rent growth and tight occupancy rates, both figures are expected to see moderate increases – much more in line with their long-term averages.

Downtown Denver, which witnessed more than half of the new multifamily development in the past few years, may see negative or flat rent growth. "There's just no way around it, because you're going to deliver all these units," said Ozment.

However, Ozment predicts that some specific neighborhoods, such as the Highlands, Lower Highlands and Golden Triangle, will continue to see rent growth. And he anticipates the suburbs will see 3 to 5 percent rent growth. The suburbs enjoyed double-digit rent growth from 2010 to 2015.

Many of the ideally located, older buildings have been updated this cycle and are reaching a threshold for high-dollar amount. Before this '80s product can increase more, the newer product will need to increase rents, said Ozment.

Going hand-in-hand with stagnant or decreasing rent growth is the rise in concessions.

"Many experts believe 94 percent is the magic line for occupancy to affect upward pressure on rent," said Mark Williams with the Apartment Association of Metro Denver. "If occupancy dips below 93-94 percent in Denver, you typically will see much more competitive discounts and concessions to attract customers."

Most downtown units are offering concessions right now, ranging from two weeks to six weeks of free rent, often depending on where the apartment is in the lease-up phase, said Ozment.

Outside of those heavily supplied areas, keep an eye on whether concessions spread and whether multifamily starts continue to slip – either in response to softening market conditions or tighter lending at banks, said Kim Duty with the National Multifamily Housing Council.

Renewal rates, which are harder to track across the market, are a strong indicator for the fundamentals of certain submarkets, said Ozment. If there's higher turnover, it means that other properties are lowering their rents and becoming more affordable.

• **Investor appeal.** An overarching indicator continues to be Denver's investor appeal. "Denver still checks all the boxes for investors," said Ozment. After returning from the NMHC event, it was clear that investors still want to be in Denver.

"The year started strong with Red-Peak selling One City Block to Deutsch Asset Management," according to the Transwestern team. "Sales like this show that foreign and out-of-state buyers are still very attracted to Denver because of its consistent job and population growth, quality of life and strong fundamentals. While some in-state buyers are holding off on making purchases, cap rates will remain low, as out-of-area buyers continue to see value in investing in Denver."

Many investors follow demographics. Denver's ability to draw young professionals to the city bodes well for the multifamily market, said Matt Vance with CBRE.

"The consensus calls for Denver's economy to remain a top performer going forward," Vance said. "Our relatively low cost of living positions Denver as one of the most attractive markets for growth – particularly true in the tech industry."

Job growth is the driving force behind the apartment industry. "Colorado should continue to see decent job growth, but the pace will likely slow over the next few years," said Williams.

Firms are beginning to find it increasingly difficult to secure qualified workers, and competition for talent is particularly acute in the tech industry. "Continued deceleration in hiring and employment growth would negatively impact the demand side of the multifamily equation," said Vance.

• **Market demand.** "Denver is still considered a strong market for the apartment business, for many reasons, including our diversified economy, attraction of corporations to move here and overall quality of life, but massive supply has some experts concerned," said Williams.

The current cycle's development peak will likely occur in 2017, and thus supply is the most prominent near-term risk, said Vance.

"There were nearly 25,000 new apartments build in the last three years and another 25,000 are currently under construction," Williams said. "Prior to this recent development boom, it took from 2002 to 2012 to build that many units."

Last year, multifamily supply caught up with the pace of increased demand, which will result in some flattening out in 2017, but overall demand for apartments remains strong, said Duty.

This is largely due to a combination of the steady in-migration of new residents and the lack of available single-family housing options.

"Despite a desire for many to own, the supply-constrained single-family market has elevated prices and many would-be buyers are finding it difficult to leave the multifamily market," said Vance.

This dynamic doesn't seem to be relaxing anytime soon. There are fewer and fewer places to build single-family homes within Denver – many of the ideal infill spots have been developed, such as Stapleton and Lowry, said Ozment. And with condo development still tied up due to construct-defect laws, the condos that are being built are priced outside many first-time homebuyers budgets. For these reasons, many potential homebuyers will remain renters.

However, these renters will enjoy a market that is much more in line with our long-term averages.

"There will be more choices and incredible amenities offered with intense competition as all of these units come on line," said Williams. "The other good news for renters is that the Denver apartment industry has been very aggressive about reinvesting into their properties. Really at all levels of apartment communities, the owners have put in a bunch of money to upgrade common areas and update units to remain competitive." ▲

Blackshire

Continued from Page 16

the Metro Denver Economic Chamber of Commerce, was doing one of the things he does best in Denver in January – talking about the Denver economy and making predictions. In a pie graph shared during multiple presentations, Clark emphasized the diverse nature of Denver's present-day economy.

It made me wonder if the press and some investors are biased by Denver's history? Are the boom-and-bust ways of Denver over; are things different now?

"You could argue the boom and busts may be less impactful now," said Clark. "As Denver's competitiveness and creativity has emerged over the last 10 years, we are charting a new path in the future. However, there is an almost nonexistent supply of new affordable condos, all housing, including rental housing, is now more expensive, traffic has worsened and the road to the mountains on I-70 is more crowded than ever."

Clark was hopeful though. "Denver's central location with the mountains, the sunshine and lifestyle options will always be appealing," he said. "Plus, we have you millennials now to help solve all of these problems."

I told him he was right, like a typical millennial, I am hopeful about solving those problems. However, it wouldn't be without the help and guidance from his generation and others. We are all in this together.

There are demographically divergent paths that lay ahead for Colorado, but Colorado is a pioneer state. We've always had great leaders step up and guide us into the unknown, up the hill into a challenge.

Our optimism reminds me of some of the stories Clark told me after one of his presentations, about the Colorado leadership who worked hard to build out the rail system, expand the convention center and make Denver International Airport a destination for millions.

During the recent Colorado Real Estate Journal multifamily construction panel, Scott Johnson, division president for Lennar Multifamily, said the lack of condo defect litigation reform has created an opportunity for entrepreneurs.

An unbalanced condo market, high housing prices and the challenges of Interstate 70 are all issues that affect Colorado's appeal to millennials and baby boomers. All three issues require political pressure and ingenuity to overcome.

Colorado, thankfully, has a long history of leadership and political cooperation that has proved successful in the past. One of the smartest investments we can make right now is to take action and use the creativity and energy of our massive millennial resource, while also tapping the vast experience of our active baby boomer pioneers to move our great state forward. This is Colorado, after all; we've got big mountains and we have always enjoyed taking the harder path. ▲

Mutz

Continued from Page 22

the area is a walkable, but funky neighborhood characterized by smaller cafés and businesses, the design of the leasing office should reflect that aesthetic and feel. The vibe of the leasing office should reinforce the emotions that brought the prospect to the community in the first place. Utilizing reclaimed materials and items from previous uses of the property and capitalizing on the history of the location with photos and art are good tools to enable the property to fit within the neighborhood.

With respect to amenities, there often are overlooked opportunities to achieve authenticity and connection with a renter. With the meteoric rise of e-commerce, package rooms and mailrooms have become one of the prime locations a renter touches and visits every day. Use the opportunity to take this neglected space and transform it into a chance to reinforce the property's identity. One idea is to use local artists to decorate the space or to incorporate a design for the room that allows tenants to connect with their community before heading to their apartments. It doesn't take much to elevate what is usually a mundane mail experience. Small and inexpensive touches can subconsciously go a long way toward creating a positive perception of the community.

Similarly, bike storage and repair spaces are an increasingly important amenity, and creating a bike room is a relatively inexpensive capital expenditure project. However, it also is an opportunity to add whimsy and energy where it is unexpected through paint or supergraphics – certainly more so than the typical chain-link fence and racks sequestered in the corner of the garage. If the property is edgy, artful, granola – whatever it is – try to reinforce that vision in an affordable way. These ideas can extend to numerous amenity spaces to highlight the identity of the property and connect with the renter in fun and meaningful ways.

AMLI Residential

Found space can be turned into meaningful and inexpensive amenities, such as this maker room.

In general, through leveraging thoughtful unit design, leasing area aesthetics and focusing on opportunities to highlight the vision of the property in amenity spaces, it is possible to appeal to and connect with the target demographic in an authentic and valuable manner. ▲

Patel

Continued from Page 24

costs by 13.6 percent for new construction and 8.5 percent for existing building projects, according to the U.S. Green Building Council. Increasingly, project owners are discovering the benefits of recycled steel – the most energy-efficient building material to produce.

Advances in light-gauge and cold-rolled steel systems are creating a sustainability aspect previously unwitnessed in multifamily projects. Standardized and preassembled framing components create a faster and cleaner construction project as on-site waste is greatly reduced and disruption to the surrounding environment and neighborhood is minimized.

Preassembled framing components are precision manufactured to meet exact specifications and dimensions, allowing for predictability unattainable in other structures that are cut and built on site. Additionally, preassembled components provide the flexibility to build higher, adding stories without breaking the budget.

We recently completed a 12-story, 372-unit apartment building in Denver's Uptown neighborhood that features more than 450,000 sf of total building area. By utilizing the Prescient framing system, the Alexan Uptown project earned nine points toward LEED certification. Without the predictability, flexibility and sustainability that advances in panelized light-gauge and cold-rolled steel systems create, a multifamily project of this scale would not have been possible.

• **Senior living.** The senior living sector also is witnessing the numerous benefits that advances in light-gauge and cold-rolled steel systems produce. Senior living projects that use these advanced structural systems tend to be safer, more durable, more dimensionally stable, mold resistant, termite-proof, better for the environment, longer lasting and less expensive to complete than alternative building materials like wood or concrete.

Additionally, steel is much lighter than concrete and, unlike wood, is noncombustible, saving the developer and builder money on insurance. Often, senior-living communities consist of multiple care facilities within the same structure and, as a result, these projects require a unique design.

The five-story, 250,000-sf MorningStar Senior Living project in Lone Tree is a prime example of how building materials can deliver on the specific needs of this building category as the elements of various care facilities are all located within a single structure.

In the end, the AEC industry has been slow to change, but technological advances are quickly changing that notion and reshaping the industry. Safety risks, uncertainties, project duration and on-site revisions are reduced; installation reliability and outcome predictability are increased; and the project's overall quality improves as panelized light-gauge and cold-rolled steel systems advance.

Companies, owners and contractors that are ready to embrace change and implement innovation and technology will bring our industry to an increased level of productivity, while improving project quality and mitigating risk and cost for every stakeholder involved in the design, development or construction process. ▲

Thome

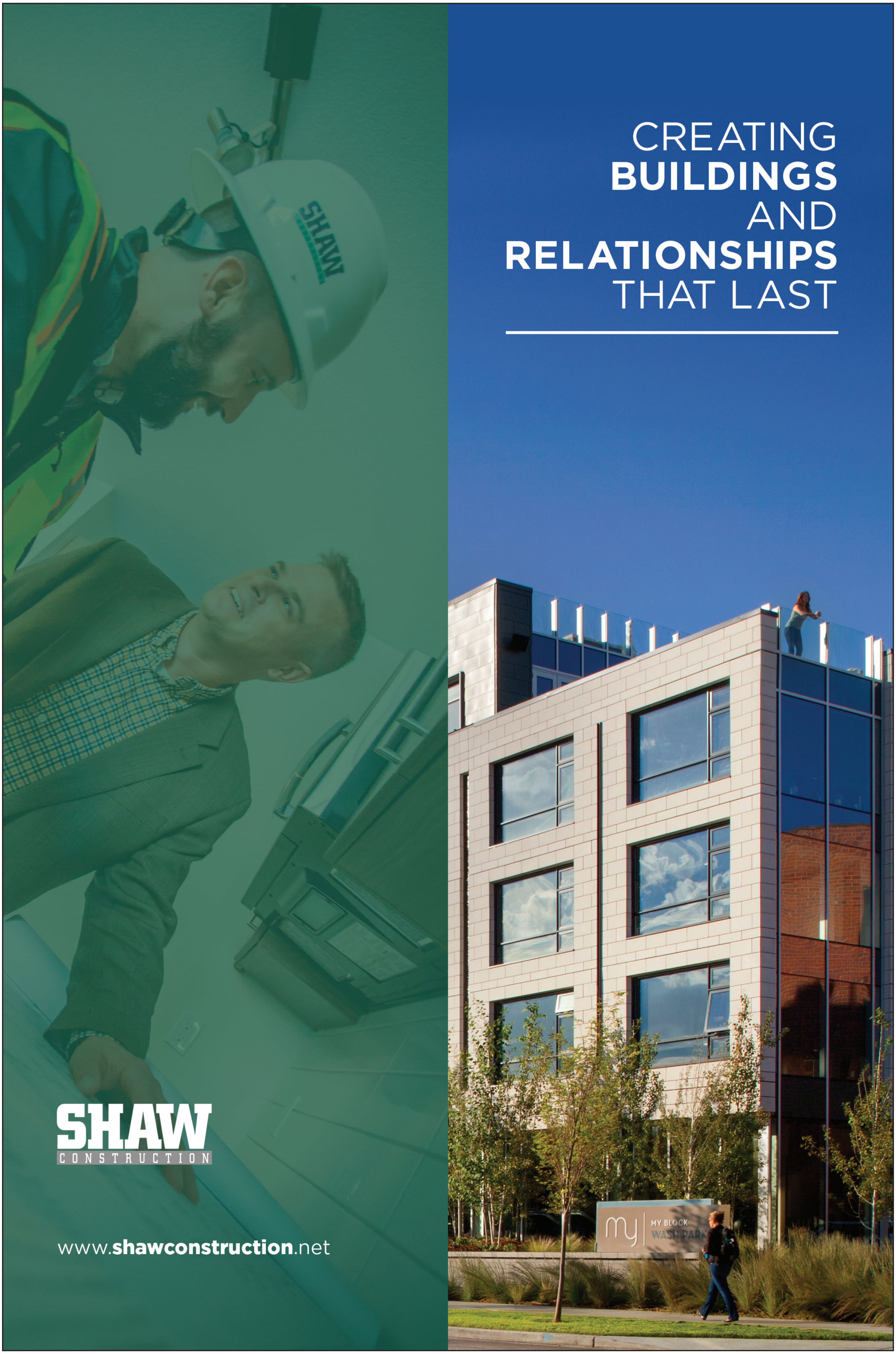
Continued from Page 28

become legally obligated to pay, and the insurance carrier has a duty to defend against these suits. Defense costs with most insurance carriers do not reduce your limit of general liability insurance.

This type of insurance is very comprehensive in scope but does come with limitations and exclusions, such as workers' compensation, business auto liability, employment practices liability, errors and omissions, privacy liability, technology liability, directors and officers liability, employee benefits liability and pollution liability – all of which can be bought back if needed or wanted.

One last item to consider would be the addition of an umbrella or excess liability insurance policy, which goes above and beyond your general liability insurance policy. This umbrella does not increase any limits of the property portion of the policy – just the general liability portion of the policy. How much umbrella coverage is needed varies based on the assets and net worth of all individuals but, in order to protect your current assets and future earnings as a result of a costly lawsuit, I always recommend additional liability regardless of how many assets are involved.

The details of an insurance contract can be confusing and complicated, but your policy is much more manageable if you look at its various parts and address those sections applicable to your current needs. If you can understand the basics of policy composition and the information each section provides, you will have a fuller, more usable and comprehensive insurance policy. Here is to a happy and healthy 2017. ▲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