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THE OFFICIAL PUBLICATION OF COLORADO RECON
COLORADO'S COMMUNITY FOR REAL ESTATE ENTREPRENEURS & BUSINESS OWNERS

Never Get Silver Hilled!

COLORADO RE·CON

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ORGANIZATIONAL NOTES

Colorado RECON Staff

Troy Miller, Chief Creative Officer
tmiller@coloradorecon.com

Diego Tenorio, Director of Membership
diego@coloradorecon.com

Communication & Website
info@coloradorecon.com

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MARKET EXPERT
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THE WYOMING PLAY MOST COLORADO INVESTORS ARE STILL IGNORING

Two hours north of Fort Collins, a market is forming that rewards investors who move before it becomes obvious.

Cheyenne has never been a glamour market. No mountain access, no Denver density, no national headlines. For most Colorado investors it has been somewhere north of the conversation.

That is changing, and the reason is not subtle.

Wyoming is in the middle of a data center buildout unlike anything this region has seen. Microsoft and Meta have expanded plans for computing infrastructure in and around Cheyenne at a scale that could triple the state's electrical demand. Cheyenne already hosts 13 large data centers, including the National Center for Atmospheric Research supercomputer. Microsoft operates 11 computing campuses there and plans to add three more. OpenAI, Meta, and Crusoe all have active development plans in the region. And that is just the Cheyenne cluster.

Further north, Prometheus Hyperscale is developing a campus near Casper with an expected IT capacity of 1.5 gigawatts and an initial investment estimated at $500 million, with first power-ready infrastructure expected on site in 2026.

Investors who know how to read those signals have already started buying. The investors waiting for Cheyenne to show up in a national webinar are paying higher prices.

Why Wyoming works for this kind of capital

Power and climate are the short answers. Wyoming has abundant natural gas infrastructure and room to build new transmission capacity. Low humidity means cooling a data center requires significantly less water than in more humid markets. Compare that to Texas, where grid stress from data center cooling loads has become a real operational problem. Investors who built positions in Texas data center-adjacent markets are now carrying a risk they did not fully price in at entry.

Wyoming Governor Mark Gordon signed Executive Order 2026-03 in early June, titled "Data Centers the Wyoming Way." The order outlines principles to keep Wyoming competitive for investment while protecting ratepayers, natural resources, and local communities. That is a meaningful signal. The state is managing this growth with intent, not blocking it, which matters when you are trying to assess whether a market has staying power.

The regulatory environment for landlords is also worth naming directly. Colorado investors who have been watching the legislative session in Denver know what the trajectory looks like. HB 24-1098 created for-cause eviction requirements. Security deposits are capped at two months' rent. The trend is not landlord-friendly, and there is no reason to expect it to reverse.

Wyoming has not passed a for-cause eviction law. There is no rent control. Landlord-tenant law is considerably more straightforward. For investors tired of navigating an increasingly complicated legal environment in Colorado, that is a real consideration, not a talking point.

The Cheyenne market right now

Cheyenne's economic base is more diversified than most outsiders assume. State government operations, F.E. Warren Air Force Base, Union Pacific Railroad, expanding logistics companies, and Cheyenne Regional Medical Center all support steady housing demand across different parts of the economic cycle. That foundation existed before the data center buildout and it matters for underwriting. You are not betting on a single employer.

On supply, the picture is tight. Housing inventory sat at just 0.33 months in late 2025, with homes selling in an average of 19 days. Wyoming ranks among the lowest states in the nation for new multifamily construction, which keeps vacancy low and rents stable. The median apartment rent in Cheyenne runs approximately $1,335 per month. That is affordable relative to the Colorado Front Range, which supports occupancy. Tenants can afford to stay, and there are qualified applicants behind them.

Sales volume in Q1 2026 jumped 18% compared to Q1 2025. A meaningful portion of that increase reflects the expanding energy sector and increased federal employment at F.E. Warren. More of it reflects buyers watching the same data center signals and moving earlier than the market expects.

What the play actually looks like

Nobody reading this is going to build a data center. The play is being in the path of the economic activity those campuses generate.

Projects of this scale run for years and pull in a large transient workforce: engineers, contractors, skilled tradespeople, and project managers. That workforce needs housing. They earn well and they rent first. Workforce housing and small multifamily, underwritten the same way you would in Northern Colorado, is the most direct play. On the land side, data center campuses require specific site attributes: water rights, three-phase power access, and fiber connectivity. Land near Casper and along the I-25 corridor that checks those boxes may not be fully priced for its strategic value yet. Equipment storage and contractor staging lots are another near-term use case with lower barrier to entry and direct exposure to the construction timeline.

The honest risks

Cheyenne is a small market. Liquidity is lower than Denver, which matters when you want to exit on your terms. Data center development timelines slip. Construction workforces are transient and not all of them stay as long-term tenants.

Supply relief is coming. Building permit data shows gradual inventory recovery, with meaningful new housing expected to reach the Cheyenne market in late 2026. New supply changes the underwriting math. Investors who buy at peak constraint and hold through a supply surge will have a harder time than those who moved earlier.

There is also local opposition to the pace of development. The Cheyenne City Council considered a one-year moratorium on new data center development before voting it down 8-1. Residents have raised real concerns about electrical demand, water use, and density of change. That opposition is unlikely to go away, and a future council vote could look different.

For investors who know how to underwrite a smaller market, who are already comfortable operating in Northern Colorado, and who are looking for a place where the regulatory environment is not actively working against them, Wyoming is worth more than a polite nod. The window for getting in early does not stay open indefinitely.

MARKET EXPERT
TROY MILLER / TMILLER@COLORADORECON.COM / COLORADORECON.COM

NEVER GET SILVER HILLED

Every investor who has been around long enough has a lender story. The term sheet that looked nothing like the closing disclosure. The phone call at 4 PM on a Friday asking for one more thing. The underwriter who apparently never read any of the emails.

Most of the time these are aggravations. Sometimes they cost you real money.

Here's the worst version of the scenario, which came directly from a Colorado investor at a recent RE•CON office hours: a borrower confirms their deal structure with a lender for 45 to 60 days. Specific details, confirmed repeatedly. One person signing as guarantor. The lender raises no objections. One week before closing, the lender comes back and demands all general partners sign as personal guarantors. By that point, walking away means losing significant earnest money. The borrowers capitulate. The deal closes on the lender's new terms.

That investor's advice was direct: tell everyone you know to avoid that lender.

This is a known problem with a name

In private lending, this pattern is called bait and switch. The lender provides a term sheet knowing they intend to change the terms before funding. They keep the borrower engaged through the loan process and then change the structure when it's too late to start over (Private Lender Link, May 2023).

The American Association of Private Lenders is clear on the legal exposure: even accidental bait and switch is illegal. Potential claims include detrimental reliance, breach of contract if an LOI was issued, and unfair business practices. The consequences are no different than if the intent was deliberate (AAPL, August 2021). That's cold comfort when your earnest money is at risk and the closing is in seven days.

The structural problem is the gap between the person you're talking to and the person who actually approves your loan. Many commercial lenders separate origination from underwriting entirely. The loan officer who builds the relationship and takes your calls has no binding authority over what the underwriter decides. When a problem surfaces, you've spent months in due diligence, your earnest money is exposed, and the lender knows it.

What actually protects you

Get the deal structure confirmed in writing, and make sure the confirmation comes from someone with actual authority. Not the loan officer. Not a summary email. A written commitment that covers the rate, guarantor requirements, reserve requirements, prepayment structure, and any conditions that could change the terms before closing. The best protection is a genuine loan commitment signed by someone who can actually bind the institution (FREEandCLEAR, November 2020).

Ask directly, before you go under contract: "Who is the underwriter on this deal, and can I speak with them?" A lender that stonewalls that question is showing you something. A lender that sets up the call is earning your trust the right way.

Some lenders are structured so that the loan officer and the underwriter are the same person, or at minimum the loan officer has direct real-time access to underwriting decisions. When you ask a question, you get a real answer rather than "let me check with the back office." That structure is worth seeking out on complex deals. It's also worth paying a modest premium for.

On assumptions specifically

Banks often stall assumption approvals intentionally. The reason is economic: they lose money on assumed loans because they don't get the origination fees, the borrower keeps a below-market rate, and the bank is stuck servicing a loan it can't reprice (Private Lender Link, May 2023). If a lender quotes you 90 days for an assumption, build in at least six months and set calendar reminders to follow up every two weeks. Silence is not progress.

One more practical step: build and maintain a short list of lenders you have verified through direct experience or trusted referrals, and use it. Lender reputation travels in this business. The investors who are willing to name names when a lender burns them are doing everyone a favor.

The short version

Get the structure in writing, signed by someone with actual authority. Talk to the underwriter before you're committed. Know which lenders have a pattern of changing terms at the table. And if a lender ever tells you they need something different a week before closing, you have a choice: capitulate, or walk. Knowing which choice you can afford to make starts with the work you do at the beginning of the process, not the end.

MARKET EXPERT
TROY MILLER / TMILLER@COLORADORECON.COM / COLORADORECON.COM

WHAT DENVER DAYS ON MARKET ARE ACTUALLY TELLING YOU

Northern Colorado investors are hitting 60-plus days on market. A year ago, the same properties were moving in 30 days or less. That shift is not a blip. It is a signal worth paying attention to, and not just for fix-and-flip operators.

Days on market is probably the most honest metric in residential real estate. It does not lie the way appraisals sometimes do, it is not smoothed the way median sales prices get smoothed by mix shift, and sellers cannot fake it. When a house sits, it sits.

The Colorado Association of Realtors has been tracking this statewide. In Boulder County and Larimer County, median days on market rose from 22 days in Q1 2024 to 38 days in Q1 2026. Weld County, which covers the Greeley and Windsor markets, moved from 30 to 58 days over the same stretch. That is not an anomaly. That is a market that has fundamentally changed pace.

What is driving it is not a mystery. Mortgage rates sitting between 6.7% and 7.1% throughout Q1 2026 have kept a significant portion of potential move-up buyers locked in place. They bought or refinanced at 3% or 4%, and they are not trading that payment for a 7% mortgage unless they have to. So inventory is building not because sellers are flooding the market, but because demand has pulled back while supply slowly accumulates.

For buy-and-hold investors, extended days on market affects exit math. If you are holding a rental and need to sell, you should assume 60 to 75 days of carrying cost in your pro forma right now, not 30. That is two extra mortgage payments, two months of insurance, two months of taxes. On a $350,000 property with a $2,100 monthly payment, you are talking roughly $4,200 in additional holding cost you may not have priced in.

For fix-and-flip operators, the math is sharper. Active operators in Northern Colorado have started baking in an additional 5% ARV haircut on top of whatever the comps suggest. That is not pessimism. That is what you do when the market tells you it cannot absorb product as fast as it used to.

The one counterpoint worth noting: certain submarkets inside the Denver metro are not following this pattern. Berkeley, which sits along Tennyson Street in northwest Denver, is still moving new construction product at high price points before the build even finishes. That is a specific neighborhood with limited inventory and a specific buyer profile. It is not representative of the broader market, and conflating it with the overall picture will get you into trouble.

The practical takeaway is simple. If you are underwriting a deal right now, assume the sale takes longer than you want it to. If your deal still pencils at 75 days on market, you have room to operate. If it only pencils at 30, you are one slow weekend open house away from a problem.

MARKET EXPERT

TROY MILLER / TMILLER@COLORADORECON.COM / COLORADORECON.COM

WHAT THE NATIONAL MULTIFAMILY DATA SAYS ABOUT 2026

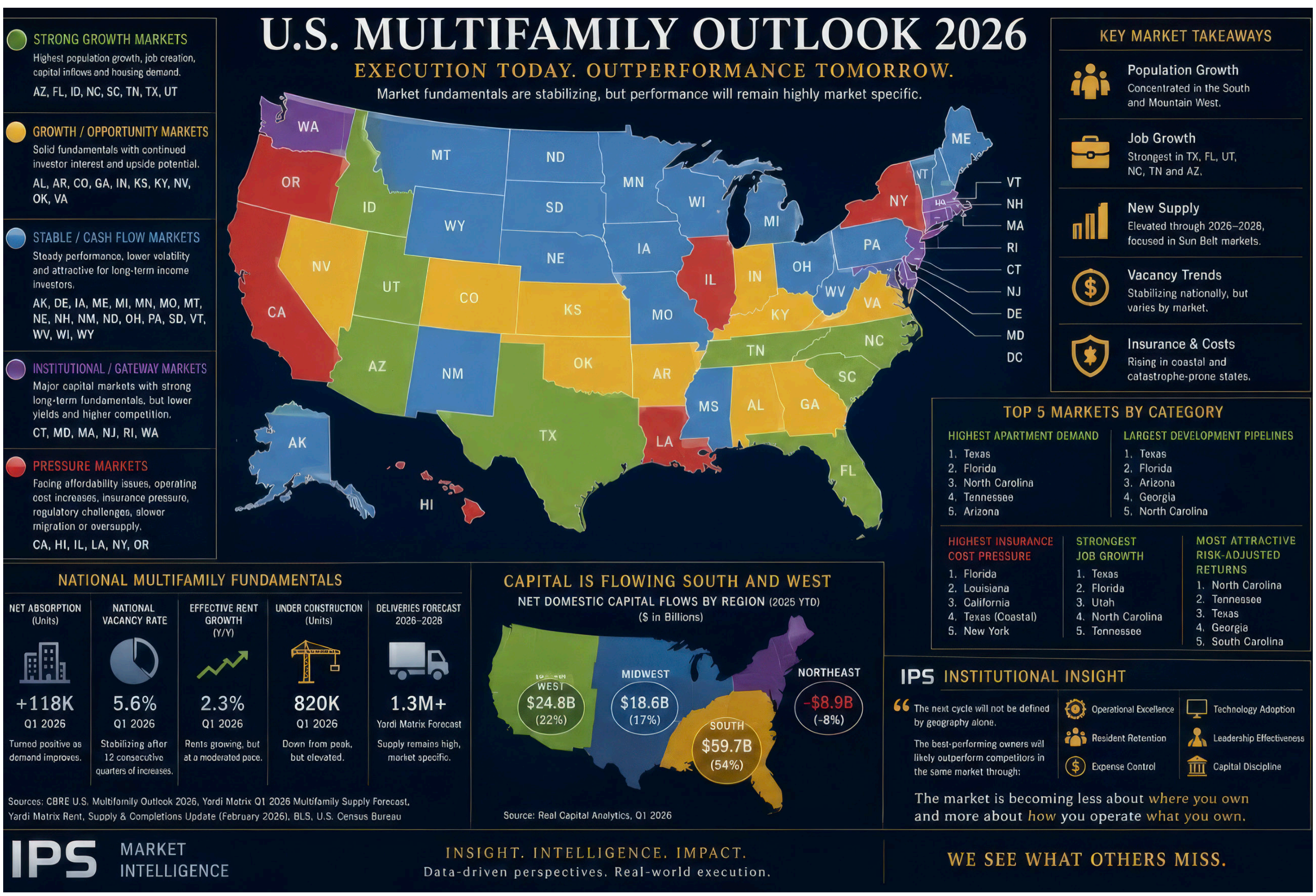
IPS Market Intelligence released its U.S. Multifamily Outlook for 2026, and the headline is worth taking seriously: market fundamentals are stabilizing, but performance is going to be highly market-specific from here. That's a polite way of saying the days of a rising tide lifting all boats are over. Where you own matters. How you operate matters more.

Here's what the data shows, and what it means for investors in Colorado and the Mountain West.

The national picture

Net absorption turned positive in Q1 2026, adding 118,000 units as demand began to recover. National vacancy sits at 5.6%, stabilizing after 12 consecutive quarters of increases. Effective rent growth is running at 2.3% year over year, which is modest but real. The bigger number to watch is supply: 820,000 units are currently under construction, down from the peak, and Yardi Matrix projects more than 1.3 million new deliveries between 2026 and 2028. Supply is elevated and it is not evenly distributed.

That last point is the one that will define a lot of investor outcomes over the next two years. Markets in the Sun Belt absorbed the heaviest construction pipelines and are now working through oversupply. Markets that didn't overbuild are in better shape on vacancy and rent growth. Knowing which category your market falls into is not optional information right now.



Where Colorado lands

Colorado is classified in the report as a Growth and Opportunity Market. The description: solid fundamentals, continued investor interest, and upside potential. That's a meaningfully better position than the Pressure Markets category, which includes California, Hawaii, Illinois, Louisiana, New York, and Oregon. Those markets are dealing with affordability problems, rising operating costs, insurance pressure, regulatory challenges, and in some cases outright oversupply.

Colorado is not immune to those pressures. Insurance costs are rising here, particularly on the Front Range, and the legislative environment has gotten more complicated for landlords over the past two years. But on the national classification scale, Colorado investors are in a better starting position than many of their peers in coastal and high-cost markets.

The capital flow story

The infographic's capital flow data is striking. Net domestic capital flows into the South totaled $59.7 billion in 2025, representing 54% of all multifamily investment. The West pulled in $24.8 billion (22%). The Midwest attracted $18.6 billion (17%). The Northeast saw a net outflow of $8.9 billion, meaning more capital left than entered.

Capital is not sentimental. It follows rent growth, population trends, job creation, and relative affordability. The South and Mountain West are checking those boxes. The Northeast and parts of the coastal West are not. For Colorado investors, being in a market that is attracting capital rather than losing it matters for exit valuations, buyer depth, and financing availability when you want to sell.

The markets getting the most attention

Texas leads on apartment demand, development pipeline, and job growth. Florida shows up in the highest insurance cost pressure category alongside Louisiana, California, Texas Coastal, and New York. That is a real risk for investors in those markets: insurance expense is compressing NOI in ways that weren't modeled when those properties were acquired.

The most attractive risk-adjusted returns category is worth noting: North Carolina leads, followed by Tennessee, Texas, Georgia, and South Carolina. These are markets with population growth, job diversification, relative affordability, and more manageable regulatory environments than coastal alternatives. They are also the markets Colorado investors increasingly come up against when competing for capital allocation decisions.

The Mountain West position

The report lists Arizona, Colorado, Idaho, Nevada, and Utah among the Growth and Opportunity markets. Population growth in the South and Mountain West is the top takeaway under Key Market Takeaways, and job growth is listed as strongest in Texas, Florida, Utah, North Carolina, Tennessee, and Arizona. Utah and Colorado are in that same regional growth story.

Wyoming, meanwhile, sits in the Stable and Cash Flow category alongside a list of states that includes Iowa, Montana, the Dakotas, and several others. That classification reflects steadier, lower-volatility performance rather than strong growth, which is consistent with what investors looking at Cheyenne and Casper are finding: solid fundamentals, less competition, and a simpler operating environment.

What to take away from this

The IPS framing at the bottom of the report says it directly: the next cycle will not be defined by geography alone. The best-performing owners will outperform competitors in the same market through operational excellence, resident retention, expense control, technology adoption, leadership effectiveness, and capital discipline.

That's a shift worth paying attention to. For years, being in the right market was enough to cover operational mediocrity. That period is over. The investors in this community who are already focused on occupancy, resident experience, and expense management are better positioned for the next two to three years than investors who are still counting on market appreciation to do the work.

Colorado is in a solid position on the national map. That's not a reason to relax. It's a reason to execute.

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TROY MILLER / TMILLER@COLORADORECON.COM / COLORADORECON.COM

THE SUBCONTRACTOR OPPORTUNITY MOST INVESTORS ARE MISSING RIGHT NOW

When deal volume drops, contractor pricing follows. Here is how to use that window before it closes.

Here is something that does not get talked about much when markets slow down: your contractors get more competitive.

When deal volume drops, the subs who have been turning away work start returning calls. The ones who were six weeks out are now two weeks out. The ones who had been inflating bids because they could suddenly sharpen their pencils.

This is not a theory. It is what happens when construction demand pulls back, and the current data confirms it is happening now.

What the numbers say

Single-family permits nationally fell 7.6% in Q1 2026 compared to Q1 2025, with elevated financing costs and ongoing affordability challenges continuing to weigh on construction activity. Multifamily permits grew 7.1% over the same period, supported by rental housing demand, but the residential remodeling and rehab market that most independent investors operate in tracks much closer to the single-family side of that equation.

Colorado construction employment followed the same pattern. After a peak hiring period through 2021 and 2022, residential employment in the state softened noticeably through 2025 and into 2026. Fewer starts means subcontractors have more open slots. More open slots means the bid conversation shifts.

There is also a new compliance layer that is worth knowing about. Colorado's SB 26-093, signed by the Governor in May 2026, requires a signed declaration verifying workers' compensation coverage before work begins on any project with a total construction cost over $1 million. For most rehabs that threshold is not in play, but it is a signal of increased regulatory scrutiny on the construction side that responsible investors should stay aware of.

What investors who understand this are doing

If you have been in real estate long enough, you remember what this feels like on the other end. In 2020 and 2021, getting a reliable GC to return a call felt like a part-time job. Bids came in 20% to 30% above what the same scope would have cost three years earlier. Material costs were part of that, but labor pricing was aggressive because contractors could afford to be selective.

That era is over in most Colorado markets right now.

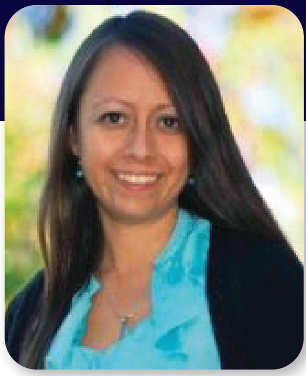
The investors who understand this are doing two things. First, they are actively pricing deals they would have passed on in 2022 because labor costs made the margins too thin. A rehab that required $65,000 in labor two years ago might come in at $50,000 today from a contractor who wants to keep his crew moving. That $15,000 difference can be the spread between a deal that works and one that does not.

Second, they are using this period to build or deepen contractor relationships. When market volume picks back up, the subs you treated well and gave consistent work to during the slow period will return your calls first. The ones who ghosted you in 2021 because they were too busy will remember who was there when it mattered less.

The catch

Not every sub who suddenly has availability has it for good reasons. Some contractors get competitive during downturns because they have cash flow problems, which creates a different kind of risk. The right move is to tighten up your payment structures, get lien waivers consistently, and not pay ahead of progress on any scope over $10,000. None of that is new advice, but it matters more when you are working with contractors who may be under financial pressure they have not told you about.

The broader point is this: in a market that is contracting, the investors who stay active get access to pricing that was not available 18 months ago. The people sitting on the sidelines waiting for rates to drop are also sitting out the subcontractor pricing window. Both things do not stay open at the same time.



INSURANCE EXPERT
EVE HOELZEL / EVE.DSTANSFIELD@FARMERSAGENCY.COM / EVEINSURANCECOLORADO.COM

BEFORE YOU DO ANOTHER LEASE OPTION IN COLORADO, READ THIS

Lease options came up at a recent mastermind hours and the conversation was a good reminder that a lot of investors are still using pre-2024 documents and assumptions to structure deals in a post-2024 legal environment. If you've been using lease options for years and haven't revisited how you structure them, this is worth a few minutes.

The strategy is still legal and still viable in Colorado. A lease option is a lease paired with a separate option to purchase, giving the tenant-buyer the right, not the obligation, to buy at a set price during the option period. That is not the same as a rent-to-own arrangement, which carries different legal mechanics. The distinction still matters. But the legal environment around long-term residential occupancy changed in April 2024, and those changes have implications for lease options that don't get talked about enough.

What HB 24-1098 actually changed

Colorado's HB 24-1098, signed into law in April 2024, requires landlords to have a specific reason to not renew a lease or to evict a tenant. Colorado became the sixth state in the country to pass such a law (Colorado Newsline, April 2024). Under the new framework, a landlord's non-renewal of a rental agreement is classified as a no-fault eviction and comes with specific requirements and extended notice timelines. A landlord who doesn't follow the rules faces the possibility of a tenant pursuing actual damages, attorneys' fees, and a penalty of three times monthly rent or $5,000, whichever is higher (Caplan & Earnest Law, January 2025).

In a standard rental relationship, this creates compliance headaches. In a lease option with a long option period, it creates a structural problem. If a tenant-buyer occupies the property for an extended time under a lease option and the deal falls apart, whether because they can't or won't exercise the option, stop paying rent, or the parties simply want to part ways, you may now be navigating the full for-cause eviction framework to remove someone who was never supposed to be just a tenant.

The law applies broadly. Short-term rentals are exempt, as are owner-occupied properties in limited circumstances, but the vast majority of residential investment properties are covered (Volpe Law LLC, September 2025).

The equitable interest problem

The second risk has been around longer, but it is more dangerous now given the for-cause eviction backdrop. When a lease option dispute reaches a courtroom, tenant-buyers sometimes raise what's called the equitable interest argument. The argument goes like this: the lease-option arrangement is functionally equivalent to a sale, the tenant-buyer effectively "owns" the property even though title has not transferred, and the landlord is operating as a lender rather than a property owner. The tenant is asking the court to recharacterize the transaction using equitable principles (bronchicklaw.com, Bill Bronchick).

Colorado courts have not resolved this question uniformly. That uncertainty is exactly the kind of thing that turns a straightforward eviction into expensive litigation. The longer the option period and the more equity the tenant-buyer accumulates through rent credits or market appreciation, the more credibly they can make the equitable interest argument.

What to do about it

None of this means you can't use lease options in Colorado. You can. But the documents need to be right.

Keep the option agreement separate from the lease. One document creates a tenancy. A separate document creates the option. Commingling the two gives a court more surface area to recharacterize the entire arrangement as something other than what it is.

Be precise about what happens when the option lapses or the tenant defaults. The remedies available to you, and the process you are required to follow, are not the same as they were before HB 24-1098. If your template predates April 2024, have it reviewed before you use it again.

Think carefully about option period length. Longer option periods increase the equitable interest exposure. If the strategy requires a long period, consider whether recording a memorandum of option is appropriate and what effect that has on your title position.

Have a real estate attorney review the documents. Not a template from a national forms site. Not something you found in an investor group. A Colorado-licensed attorney who has been paying attention to the post-2024 legal landscape. The cost of that review is a rounding error compared to what a contested lease-option dispute costs to litigate.

The investors who have been using lease options for years and haven't looked at their agreements since before HB 24-1098 are the most exposed. An afternoon and a conversation with counsel is worth it.

SENIOR HOUSING EXPERT
VERN HARRIS / VERN@ABWSI.COM / ABWSI.COM

SENIOR HOUSING IS COMING OUT OF ITS RESET. HERE IS WHAT THAT MEANS FOR INVESTORS.

Senior housing had a rough few years. The pandemic disrupted operations, drove occupancy to historic lows, and exposed how labor-dependent this business really is. Rising interest rates then hit valuations. Deals that penciled in 2021 no longer penciled in 2023. A lot of investors who had been circling the sector quietly stepped back.

The reset is over.

Occupancy is climbing back toward pre-pandemic levels. New construction has slowed considerably, which means existing communities are absorbing demand without a wave of new supply eating into their census. Pricing power is returning in markets where operators have managed their labor costs and referral pipelines. And transaction activity has been running at a record pace: through the first five months of 2026, the industry averaged roughly 81 publicly announced deals per month. Annualized, that puts 2026 on track to be the third consecutive annual record, up from 877 deals in 2025 and 722 in 2024.

That kind of sustained transaction volume is not noise. It tells you buyers see upside, sellers are finding liquidity, and capital is willing to compete for quality assets. Institutional REITs that pulled back during the downturn are re-entering in a meaningful way. Private equity is active. Family offices that have been holding cash are starting to move.

For investors who have been waiting for the right entry point, the data suggests that window is open now and will not stay that way indefinitely.

The demographic driver is no longer theoretical

The baby boomer aging thesis has been part of investment conversations for a decade. What has changed is that it is now showing up in real, measurable demand rather than projections.

As boomers move deeper into their 70s and 80s, the need for assisted living and memory care becomes less about preference and more about necessity. A fall happens. Medication management gets complicated. A spouse passes away or can no longer provide full-time care. Adult children who have been managing a parent's situation from a distance hit a wall. These are not decisions driven by lifestyle preference or economic optimism. They happen regardless of what the Fed does with rates.

This is what makes senior housing fundamentally different from other real estate categories. Multifamily depends on household formation and job growth. Office depends on employer decisions about remote work. Retail depends on consumer spending patterns. Senior housing is driven by aging, health, and family need. The demand cohort is not optional and it is not small. The United States will have more adults over 80 than at any point in its history over the next 15 years, and that curve does not flatten.

Supply has not kept pace. Construction of new senior housing communities dropped sharply during the pandemic and has been slow to recover. High construction costs, tighter lending standards, and operator hesitancy have all contributed. In many secondary and tertiary markets, there has been virtually no new inventory added in three to four years. That is a setup that favors existing owners who are operating well.

Two distinct plays in the current market

Not every senior housing deal looks the same right now. There are two categories worth separating.

The first is stable, scarcity-driven assets. These are smaller communities, typically 50 to 120 units, in markets with limited competition and high private-pay occupancy. They have not had a rate adjustment in years, which means there is embedded upside just from bringing rates to market. They are not turnarounds. Operations are functional and census is solid. The value-add is margin improvement through disciplined management rather than an occupancy recovery story. These deals tend to trade at cap rates that reflect their stability, but the low-risk profile and the demographic tailwind make them attractive to a certain type of investor.

The second is value-add. Well-located communities with recent capital improvements that are running significantly below their stabilized potential. Occupancy in the low 60s when the submarket supports high 80s. Referral pipelines that have not been cultivated. Staffing models that are expensive relative to what a better operator could achieve. These deals carry more risk and require more patience. They also carry meaningfully more upside when the thesis plays out.

The honest caution on value-add is this: the turnaround has to be driven by the right operator, and finding the right operator is harder than underwriting the real estate. An operator who can improve census, manage labor turnover, build relationships with discharge planners and social workers, and create a reputation in the local market for quality care will outperform every pro forma assumption. An operator who cannot do those things will underperform even the most conservative underwriting.

The operator is the deal

In multifamily, a mediocre property manager costs you some rent loss and deferred maintenance. In senior housing, a mediocre operator costs you occupancy, state survey citations, referral relationships, and staff. The performance gap between a strong operator and a weak one in this asset class is wider than in almost any other real estate category.

When evaluating an operator, the questions that matter most are not about their marketing materials. How do they handle staff turnover, and what is their current turnover rate? What is their relationship with the local discharge planning community? How do they manage the state survey process, and what does their citation history look like? What systems do they use to track census, labor, and resident satisfaction in real time? A strong operator will answer all of these directly and specifically. An operator who deflects or speaks only in generalities is showing you something.

Why smaller investors have a real edge here

Institutional capital is moving back into senior housing at scale. That is a positive signal for the sector. It also means competition for large, well-stabilized, institutional-quality assets will increase and cap rates on those properties will compress.

What institutional capital cannot do easily is move quickly on smaller, operationally complex, regionally specific assets. A 52-unit assisted living community in a smaller Colorado market or a 97-unit value-add with a messy operator transition is often too local, too specific, or too small for a large REIT to deploy efficiently. The deal costs almost as much to underwrite and close as something five times the size, which means the return on effort does not pencil for an institutional buyer.

A regional investor who understands the local market, has existing operator relationships, and can move with conviction has a structural advantage in that space. Senior housing rewards discipline, local knowledge, and patience over speed and scale. The deals that are available to a well-prepared smaller investor right now are not the leftovers after the institutions have picked over the market. They are a distinct category that larger players are structurally unable to pursue as efficiently.

For investors willing to do the work to understand both the real estate and the operating business, the current entry point is the best it has been in several years. The sector has reset. The demographics are arriving. The supply pipeline is constrained. That combination does not come around often.

LEGAL EXPERT
BEN BANNER / BEN@3PILLARSLAW.COM / 3PILLARSLAW.COM

LAND ENTITLEMENT SYNDICATIONS

Real estate syndications are commonly associated with apartment buildings, self-storage facilities, and industrial properties. However, some of the most significant value creation opportunities in commercial real estate occur long before a building is ever constructed. Land entitlement syndications allow investors to acquire undeveloped land, navigate the complex entitlement process, and ultimately sell the property to a developer at a substantially higher value.

This strategy focuses on transforming raw or underutilized land into a development-ready asset. Rather than generating income from rents, investors seek returns through appreciation created by obtaining permits, rezoning approvals, utility access, and other governmental approvals necessary for future development.

What Is a Land Entitlement Syndication?

A land entitlement syndication is an investment structure in which a sponsor raises capital from passive investors to acquire undeveloped land and pursue approvals that increase the property's development potential.

The sponsor identifies a parcel that may currently be zoned for agricultural, rural, or low-density uses but has the potential to support higher-value development such as:
- Residential subdivisions
- Multifamily housing
- Mixed-use developments
- Industrial parks
- Self-storage facilities
- Commercial retail centers
- Hospitality projects

The objective is not necessarily to develop the property. Instead, the sponsor seeks to create value by obtaining the governmental approvals necessary for future development and then selling the entitled property to a builder or developer.

Identifying the Land Opportunity

The process begins with locating land that possesses a disconnect between its current value and its future potential. Sponsors typically evaluate:
- Existing zoning classifications
- Comprehensive plans and future land use maps
- Population growth trends
- Infrastructure expansion plans
- Utility availability
- Transportation improvements
- Market demand for future development

For example, a parcel currently zoned for agricultural use may be located in the path of suburban expansion. If local planning documents indicate support for residential development, the property may be a strong candidate for rezoning and entitlement. The sponsor's ability to identify these opportunities often determines the success of the entire investment.

Conducting Due Diligence

Before raising capital or closing on the acquisition, sponsors typically perform extensive due diligence. This may include:
- Title examinations
- Environmental assessments
- Wetlands evaluations
- Floodplain studies
- Utility availability reviews
- Traffic impact analyses
- Topographical surveys
- Geotechnical investigations

Land entitlement projects often carry significant entitlement risk. Environmental constraints, utility limitations, or regulatory hurdles can materially affect the feasibility of the project. As a result, many sponsors negotiate purchase contracts that include lengthy due diligence periods or entitlement contingencies before closing.

Forming the Syndication Structure

Once the opportunity has been vetted, the sponsor forms a special purpose entity, typically a limited liability company, to acquire the property. The sponsor then raises capital from investors through a private securities offering, commonly relying on exemptions such as Regulation D under the Securities Act of 1933. The sponsor typically serves as the manager of the syndication entity and oversees all aspects of the entitlement process.

Acquiring the Property

After capital is raised, the syndication acquires the land. Unlike income-producing syndications, entitlement projects generally produce little or no current cash flow. Investors should understand that returns are often entirely dependent upon a successful sale of the property following the completion of the entitlement process. The investment timeline may range from one to five years or longer depending upon the complexity of the approvals required.

Obtaining Entitlements

The entitlement phase is where most of the value creation occurs. "Entitlements" refer to the governmental approvals that permit development of the property. These approvals may include:

- Rezoning applications
- Comprehensive plan amendments
- Preliminary plat approvals
- Subdivision approvals
- Site plan approvals
- Conditional use permits
- Variances
- Annexation approvals
- Utility service agreements

Sponsors often assemble a professional team, or contract services from professionals, often consisting of land use attorneys, civil engineers, surveyors, environmental consultants, traffic engineers, architects, and planning consultants. Additionally, the entitlement process frequently requires meetings with municipal staff, planning commissions, neighborhood groups, and elected officials. Public hearings are often necessary before final approvals are granted.

Increasing the Property's Value

As approvals are obtained, the property's market value may increase substantially. For example, a 100-acre parcel valued at $20,000 per acre as agricultural land may command significantly higher pricing once it receives approvals for a residential subdivision or multifamily development.

The increase in value stems from the reduction of uncertainty. Developers are often willing to pay a premium for property that already possesses the approvals necessary to begin construction. By completing the entitlement work, the syndication effectively transfers development risk away from the eventual buyer.

Marketing the Entitled Property

Once the necessary approvals have been obtained, the sponsor typically markets the property to developers, builders, institutional investors, or other real estate operators. Potential buyers may include:

- National homebuilders
- Regional residential developers
- Multifamily developers
- Industrial developers
- Self-storage operators
- Mixed-use development companies

Marketing materials often include:

- Approved site plans
- Rezoning approvals
- Engineering reports
- Utility commitments
- Traffic studies
- Development yield analyses

These materials allow buyers to evaluate the project quickly and proceed toward development with fewer uncertainties.

Sale and Distribution of Proceeds

Following the sale of the entitled land, the syndication distributes proceeds according to the operating agreement and offering documents. A typical distribution waterfall may include:

1. Return of investor capital.
2. Payment of any preferred return.
3. Profit-sharing between investors and the sponsor.

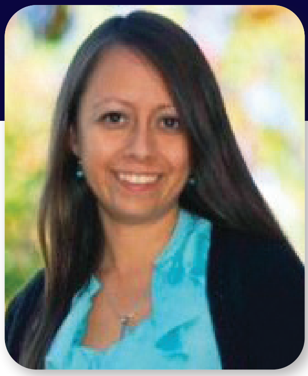
The sponsor's promote compensates the sponsor for identifying the opportunity, raising capital, managing consultants, navigating governmental approvals, and executing the exit strategy.

Conclusion

Land entitlement syndications occupy a unique niche within the real estate investment landscape. By acquiring undeveloped land and obtaining the approvals necessary for future development, sponsors can create substantial value without undertaking vertical construction.

The strategy requires specialized expertise in land use, planning, engineering, and local governmental processes. When executed successfully, however, entitlement syndications can produce attractive returns by converting raw land into a development-ready asset sought after by builders and developers.

For investors seeking exposure to a value-add real estate strategy that focuses on entitlement and zoning expertise rather than property operations, land entitlement syndications offer an alternative path to real estate wealth creation. For more information on land entitlement syndications, or to discuss real estate syndications in general, reach out to the author at ben@3pillarslaw.com.



INSURANCE EXPERT
EVE HOELZEL / EVE.DSTANSFIELD@FARMERSAGENCY.COM / EVEINSURANCECOLORADO.COM

THE FUTURE OF COLORADO INDEPENDENT RENTAL OWNERS: PROTECTING YOUR INVESTMENT IN A CHANGING MARKET

Independent rental owners have always played an important role in Colorado's housing market. From single-family rentals to multi-family properties, local investors provide housing options while building long-term wealth through real estate. However, owning rental property in Colorado continues to become more complex. Rising operating costs, changing regulations, increasing property values, and a challenging insurance market are requiring owners to be more proactive when protecting their investments.

For many investors, their rental property is one of their largest financial assets. Protecting that asset requires more than simply purchasing an insurance policy. It requires understanding the coverage, evaluating potential risks, and working with professionals who understand the unique needs of property owners.

Insurance Is Becoming a Bigger Part of the Investment Strategy

Colorado property owners have experienced significant changes in the insurance market. Severe weather events, especially hail and wind losses, have impacted insurance pricing and underwriting requirements across the state. For rental property owners, insurance should not be viewed as just another expense. It is an important part of protecting cash flow, preserving property value, and creating a long-term investment strategy.

A rental property insurance review should address several important questions:

- Is the building insured to the proper replacement cost to ensure there is adequate coverage to rebuild after a covered loss?
- Are liability limits sufficient to help protect personal assets from potential claims related to the rental property?
- Is there adequate coverage for loss of rental income if the property becomes uninhabitable after a covered claim?
- Are deductibles manageable if a major loss occurs?
- Have newly acquired properties been added correctly to the policy to avoid coverage gaps?

Many investors focus primarily on premium costs, which is understandable. However, the lowest-priced policy is not always the best protection when a major claim happens. A policy should be evaluated based on the coverage it provides, the carrier's financial strength, and how well it protects the owner's investment.

Why Working With an Experienced Insurance Agent Matters

As the insurance market continues to change, having an experienced insurance agent who understands real estate investors and rental properties can make a significant difference. Investment properties have different insurance needs than owner-occupied homes. A knowledgeable agent understands that protecting a rental property involves more than insuring the building — it includes reviewing liability exposure, rental income protection, ownership structure, and potential coverage gaps.

An experienced agent can help investors evaluate replacement cost values to make sure the property is insured properly, since building costs continue to change and outdated values can create challenges at the time of a claim. A trusted advisor can also explain the difference between policies, deductibles, and coverage options, as two policies with similar premiums may provide very different levels of protection when a loss occurs.

The Successful Rental Owner of the Future Will Be More Strategic

The future of independent rental ownership in Colorado will require owners to be more informed and proactive. Successful investors will continue to focus on maintaining their properties, keeping accurate records, understanding their insurance coverage, and reviewing their policies regularly. A proactive approach to risk management can help rental owners better navigate unexpected events, market changes, and rising costs.

Protecting Your Rental Property Is Protecting Your Future

Real estate remains one of the most common ways people build long-term wealth, but successful ownership requires more than collecting rent, it requires protecting the asset that generates that income. As Colorado's rental market continues to evolve, independent owners who stay informed and work with experienced professionals will be better positioned for the future. A yearly insurance review with an agent who understands property investors can help identify coverage gaps, evaluate changing risks, and ensure that your coverage continues to support your investment goals.

BUSINESS MEMBER DIRECTORY

Service	Contact	Business	Phone	Email
1031 Exchange	Caleb Ernst	ERG 1031	303.789.1031	caleb@erg1031.com
Contractor/Electric	James Hornof	B&W Electric, LLC	303.505.3543	j.hornof@bandwelectric.com
Energy Investing	Khris Allen	Eckard Enterprises	800.527.8895	kallen@eckardenterprises.com
Foundation Repair	Drew Rogers	Colorado Foundation Repair & Waterproofing	720.266.9331	diggingcolorado@gmail.com
Insurance	Eve Hoelzel	Farmers Insurance	970.970.8019	eve.dstansfield@farmersagency.com
Lender	Ken Belvins	Pine Financial	303.916.5366	Ken@pinefinancialgroup.com
Lender	John Krause	COPA Capital	303.503.5512	johnk@copacapital.com
Lender	Greg Osborne	Bridge Capital Resources, LLC	303.475.5873	gregosborne@bridgelending.com
Lender	Tyler Ideker	Indicate Capital, LLC	303.567.6333	tyler@costfund.com
Property Management	Sam Jameson	Atlas Real Estate	303.242.8980	info@realatlas.com
Property Management	Shawn Riley	KeyRenter Denver	720.689.1862	shawn@keyrenterdenver.com
Structural	Byron	Colorado Structural Repair	720.266.9331	diggingcolorado@gmail.com
Syndication	Byron Elliott	3 Pillars Law	303.284.3850	byron@3pillarslaw.com
Title	Tonya Stevens	Elevated Title	720.734.2767	tonya@elevatedtitleco.com