



Colliers

Denver

Multifamily

23Q1

The multifamily market in the Denver Metro persevered with another impressive performance in the first quarter of 2023. Propelled by a surge in construction activity and a robust growth in rental rates, this remarkable performance enabled Denver to surpass yet another milestone of attaining 56 consecutive quarters with positive absorption.

Accelerating success.

Key Takeaways

- Construction recorded an uptick with over 31,100 units on the way.
- Absorption remained positive for the 56th consecutive quarter.
- Lease rates increased by 3.2% YOY reaching \$1,794 per unit.
- Vacancy rates decreased by 60 basis points from the previous quarter.



Resilience Persists in the Denver Market

Despite sales volume slightly slowing compared to the previous quarter, the multifamily market in the Denver Metro area exhibited exceptional resilience and had yet another positive quarter. This was evidenced by the increase in square footage under construction, which rose to 31,129 by the end of the quarter. Furthermore, absorption experienced an uptick from last quarter, climbing from 724 to 2,028 units. This absorption was despite average asking rent continuing to grow in Denver, which presently stands at \$1,794, up from last quarter's \$1,763. Further evidence of the landlord-friendly market can be seen in the decline in vacancy rates to 5.6%. The outlook for the rest of 2023 is encouraging, with forecasts predicting sustained increases in positive absorption, square footage under construction, and asking lease rates, further strengthening Denver Metro's market.

Market Indicators



3.4%

Denver
Unemployment Rate

1.95%

Denver YOY
Real GDP Growth

3.471%

US 10 Year
Treasury Note

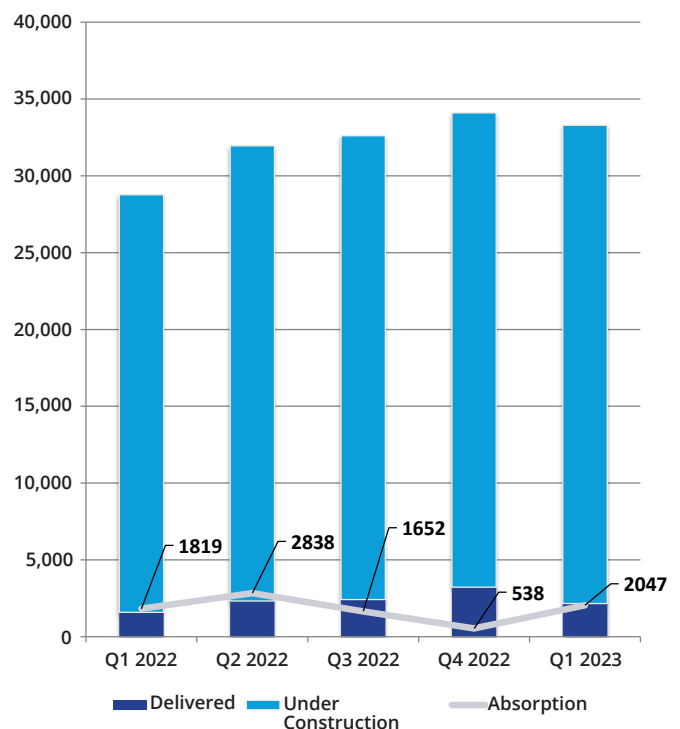
Historic Comparison

	2023 Q1	2022 Q4	2022 Q1
Total Inventory (Existing Units)	290,130	287,964	280,007
Units Delivered	2,166	3,223	1,589
Units Absorbed	2,028	724	1,965
Occupancy	94.40%	94.30%	93.80%
Under Construction	31,129	30,875	27,184
Average Monthly Rent	\$1,794	\$1,763	\$1,757

Source: CoStar

Market Graph

Units Absorbed vs. Delivered & Under Construction

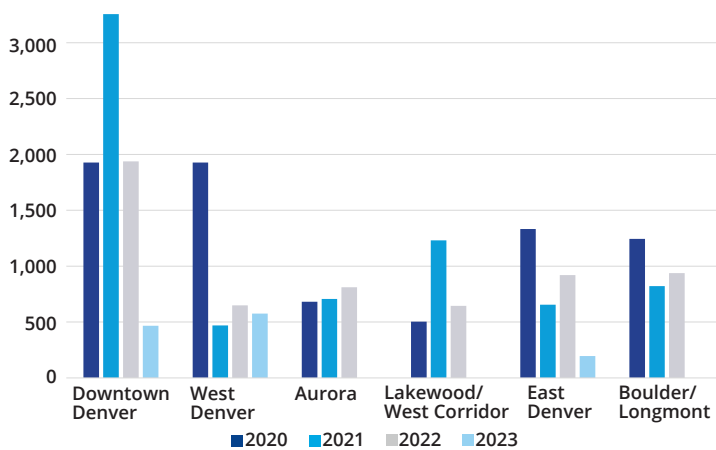


Source: CoStar

Construction

During the first quarter of 2023, the multifamily market in Denver saw the completion of fourteen buildings comprising a total of 2,166 units, representing a 33% decline from the previous quarter. Among the buildings completed, the largest was the AMLI Broadway Park, a 373-unit apartment complex located in Denver. Notably, the construction of multifamily properties is on the rise throughout the Metro area, with 31,129 units under construction at the close of the quarter. Many of these properties are concentrated in the Downtown Denver submarket cluster, particularly in the areas of Five Points, Lincoln Park, and RiNo. With construction activity expected to continue increasing from quarter to quarter, expect deliveries to continue to rise as well throughout the first half of 2023.

Submarket Unit Completions by Year

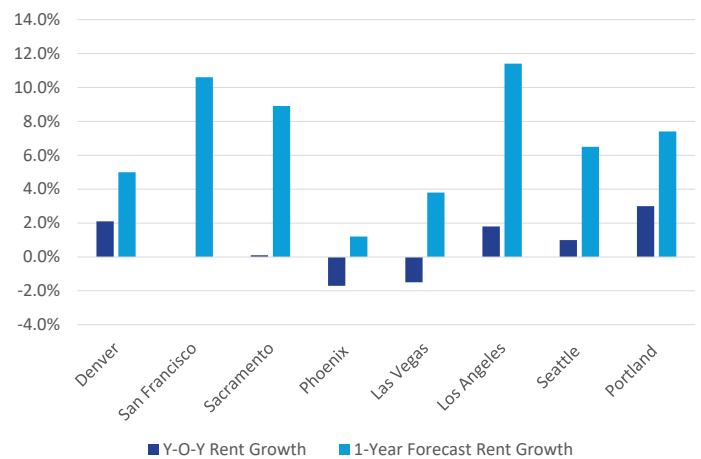


Source: CoStar

Investment Activity

In the first quarter of 2023, the multifamily market in the Denver Metro experienced a slowdown. With ten transactions generating \$487,141,900, sales were down by 58.9% compared to the previous quarter. The average sale price also saw a slight decline, dropping by 13.2% from the previous quarter to \$54,126,878. The largest transaction during the quarter was the Vue West property, a 310-unit apartment complex that sold for \$123,500,000, or \$398,387 per unit. The multifamily market will remain appealing until the pace of construction in the Denver Metro single-family market can ramp up enough to moderate housing prices.

YOY Rent Growth vs. 1-Year Forecast Rent Growth



Source: CoStar

Sales Activity

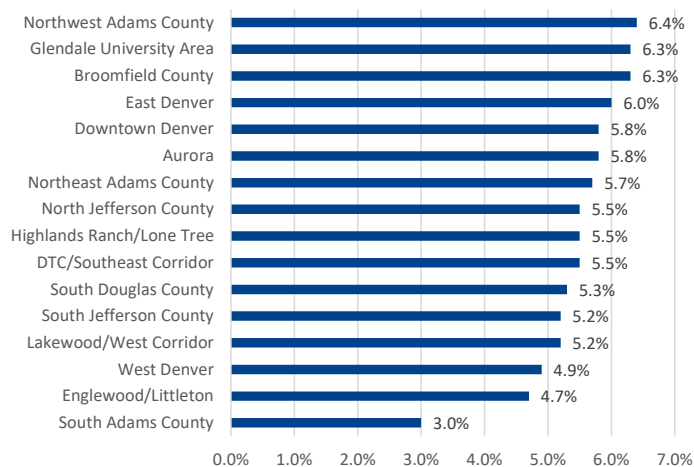
PROPERTY	CITY	SALE PRICE	# OF UNITS	Price Per Unit	Buyer
Vue West	Denver	\$123,500,000	310	\$398,387	Sequoia Equities, Inc.
Village at Thorncreek	Thornton	\$88,140,900	283	\$311,452	Birge and Held
Avenida Lakewood	Lakewood	\$77,000,000	230	\$334,783	The Bascom Group
The Range at Reunion	Commerce City	\$65,350,000	180	\$363,056	Ridge Reef Properties
Sunset Peak Apartments	Thornton	\$45,000,000	184	\$244,565	Trinity Investors
Aspire Lakewood	Lakewood	\$27,000,000	96	\$281,250	Graceada Partners

Source: CoStar

Vacancy

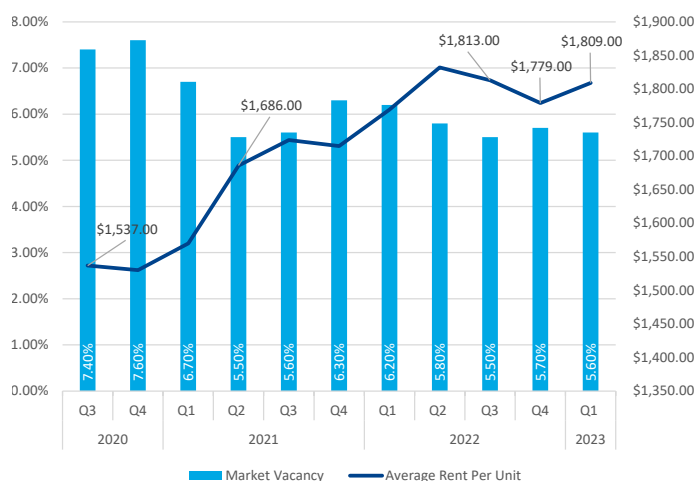
In the first quarter, vacancy rates have remained consistent with past quarters. At 5.6%, the first quarter saw the lowest vacancy rate Metro Denver has seen since the third quarter of 2021. This is a good sign for landlords as vacancy rates are down 60 basis points this quarter while the average market rent is hovering around \$1,800/SF FSG. When breaking down the Denver market, Northwest Adams County had the highest vacancy rate compared to those of its peers at 6.4%, while South Adams County experienced the lowest rate of 3.0%. Look for vacancy rates to continue to hover around 6% as we see an increase in construction tied with increased renter demand.

Vacancy by Submarket



Source: CoStar

Market Vacancy and Average Market Rents

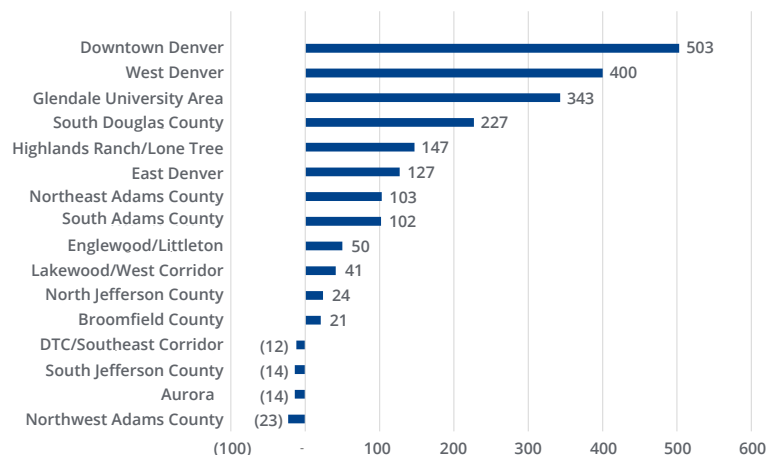


Source: CoStar

Absorption

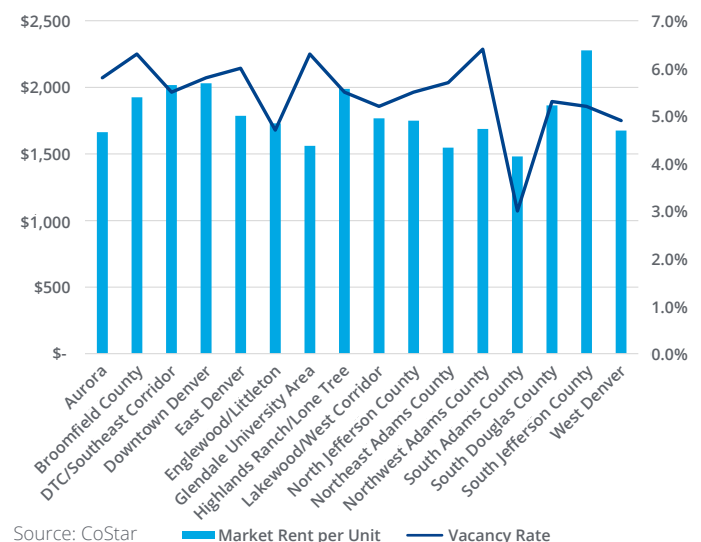
Absorption rates serve as an excellent indicator of the Denver multifamily market's competitiveness, and the results of the first quarter demonstrate positive trends. Despite a marginal decline from the previous quarter, positive absorption was recorded for the 56th consecutive quarter. Notably, Downtown Denver reported the highest absorption rate of 503 units, while Northwest Adams County experienced the lowest absorption rate at -23 units. Despite forecasts of a potential slowdown in the Denver market, there are currently no signs of negative absorption in the foreseeable future. As such, we can expect positive absorption to continue driving the Denver market deep into 2023.

Net Absorption Current Qtr. Units



Source: CoStar

Rent and Vacancy By Submarket



Source: CoStar

Lease Rates

Due to the high competitiveness in the Denver market, the market rent per unit closed at an impressive \$1,794 this quarter, representing a 2.1% upswing over the course of the year, and a 1.8% increase over the previous quarter. The rental rates displayed a diverse range of prices, with the South Jefferson County submarket recording the highest at an impressive \$2,278, and the South Adams submarket registering the lowest at \$1,481. It is noteworthy that the South Jefferson County submarket experienced the most significant year-over-year rent growth, surging by 4.3% from \$2,184 to \$2,278. The positive year-over-year growth across all submarkets highlights the collective contribution of all neighborhoods towards the growth and development of the Denver Metro.

Forecast

As the population of Denver continues to burgeon, the multifamily market is experiencing a remarkable upswing. With a marginal decline in vacancy rates, landlords can command exorbitant rents, with the assurance of maintaining occupancy levels above 90%. There is some concern for the investment market as rising interest rates and inflation could slow recent momentum. However, there are projections of increased market asking rents, absorption, and construction, despite the upward adjustment in cap rates. Consequently, the Denver market is expected to exhibit resilience throughout the second quarter of 2023.

Submarket	Bldgs.	Total Inventory Units	Vacancy Rate	Market Rent per Unit	YOY Market Rent Growth	Net Absorption Current Qtr. Units	Deliveries Current Qtr. Units	Under Construction Units
Aurora	153	39,503	5.8%	\$1,664	2.30%	(14)	-	2,738
Broomfield County	37	9,441	6.3%	\$1,925	0.20%	21	-	1,841
DTC/Southeast Corridor	55	14,107	5.5%	\$2,017	2.30%	(12)	-	1,433
Downtown Denver	262	46,088	5.8%	\$2,031	1.40%	503	467	9,905
East Denver	81	19,092	6.0%	\$1,786	3.50%	127	196	3,732
Englewood/Littleton	66	11,203	4.7%	\$1,730	2.90%	50	203	577
Glendale University Area	111	22,716	6.3%	\$1,561	0.30%	343	496	359
Highlands Ranch - Lone Tree	37	11,120	5.5%	\$1,989	2.10%	147	-	1,100
Lakewood/West Corridor	129	22,531	5.2%	\$1,767	3.50%	41	-	1,774
North Jefferson County	76	13,042	5.5%	\$1,750	2.70%	24	-	1,182
Northeast Adams County	70	13,970	5.7%	\$1,547	2.00%	103	-	530
Northwest Adams County	98	24,484	6.4%	\$1,688	1.70%	(23)	-	919
South Adams County	28	4,623	3.0%	\$1,481	3.00%	102	59	739
South Douglas County	46	11,215	5.3%	\$1,864	2.00%	227	169	1,497
South Jefferson County	21	5,470	5.2%	\$2,278	4.30%	(14)	-	-
West Denver	132	20,770	4.9%	\$1,675	2.20%	400	576	2,803
Totals	1,408	290,130	5.6%	\$1,794	2.67%	2,028	2,166	31,129

Source: CoStar

Denver Metro Historical								
2023 Q1	1,408	290,130	5.6%	\$1,794	2.67%	2,028	2,166	31,129
2022 Q4	1,394	287,964	5.7%	\$1,763	3.50%	724	3,223	30,875
2022 Q3	1,379	284,741	5.5%	\$1,799	4.90%	1,657	2,414	30,196
2022 Q2	1,367	282,327	5.8%	\$1,820	8.80%	2,944	2,320	29,635
2022 Q1	1,356	280,007	6.2%	\$1,757	13.90%	1,965	1,589	27,184

Source: CoStar



Colorado Springs

Multifamily

23Q1

Highlights

- Vacancy rates increased to 6.6%.
- Absorption was positive this quarter with 472 units absorbed.
- Rental rates finished the quarter at \$1,426.
- 6,869 units are under construction.



Vacancy Rate (YOY)

Q1 2022 5.2%
Q1 2023 6.6%



Construction (YOY)

Q1 2022 6,017
Q1 2023 6,869



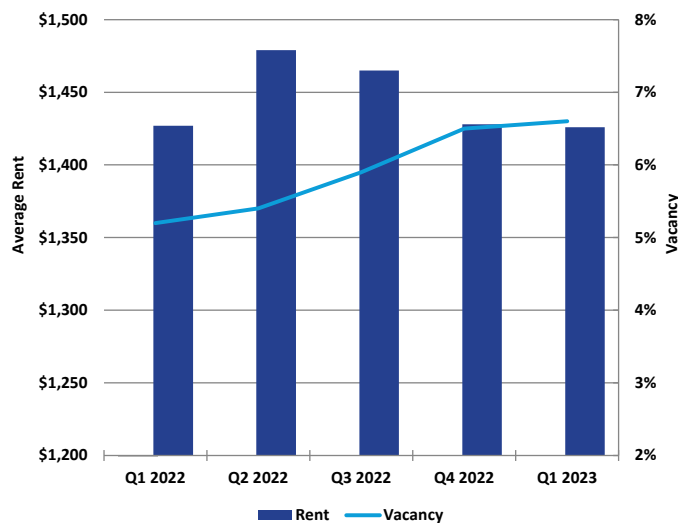
Average Rent (YOY)

Q1 2022 \$1,427
Q1 2023 \$1,426



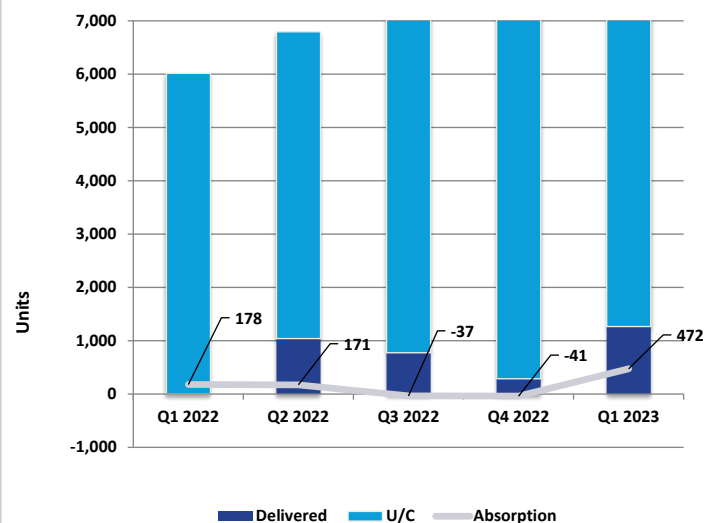
The Colorado Springs market endures as a beacon of a thriving economy and a high quality of life. The rental rates in the first quarter remained comparatively steady, hovering around \$1,426, showing only minor fluctuations from the previous quarter. Nevertheless, an impressive six deliveries totaling 1,265 units marked a significant increase from the fourth quarter figures, highlighting the robust growth and development of the market. In preparation for the upcoming quarter, expert forecasts predict an increase in vacancy rates, net absorption, and asking rents, painting an optimistic outlook for the market.

Average Rent & Vacancy Trends



Source: CoStar

Units Absorbed vs. Delivered & Under Construction



Source: CoStar

Sales Activity

PROPERTY	CITY	SALE PRICE	# OF UNITS	PRICE PER UNIT	BUYER
Park at Penrose	Colorado Springs	\$53,000,000	374	\$141,711	Oak Coast Properties
Park at Palmer	Colorado Springs	\$21,100,000	112	\$188,393	Oak Coast Properties
Arroyo Apartments	Colorado Springs	\$9,300,000	62	\$150,000	Cross Mountain Capital
Midtown Flats	Colorado Springs	\$7,250,000	60	\$120,833	Cross Mountain Capital

Source: CoStar



Northern Colorado

Multifamily
23Q1

Highlights

- Northern Colorado's vacancy increased to 5.1%.
- Investment activity slowed this quarter.
- Rental rates hit \$1,510 at quarter's close.
- Construction picked up with 3,120 units on the way.



Vacancy Rate (YOY)

Q1 2022 5.5%
Q1 2023 5.1%

Construction (YOY)

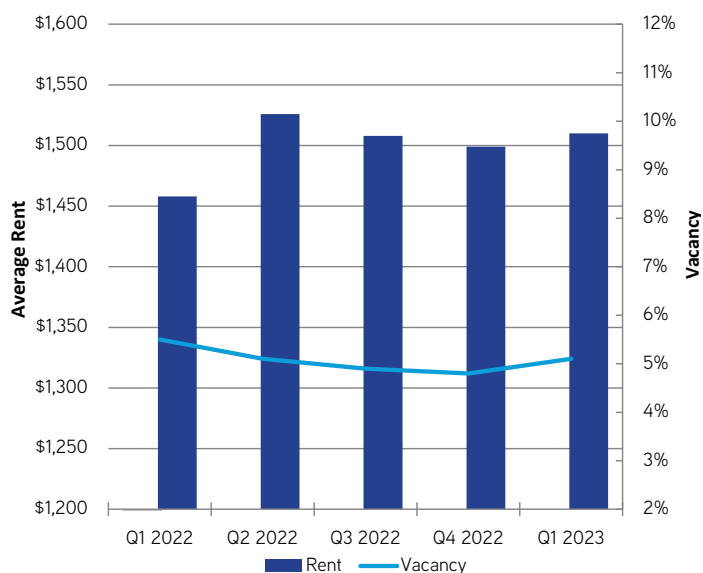
Q1 2022 2,775
Q1 2023 3,120

Average Rent (YOY)

Q1 2022 \$1,458
Q1 2023 \$1,510

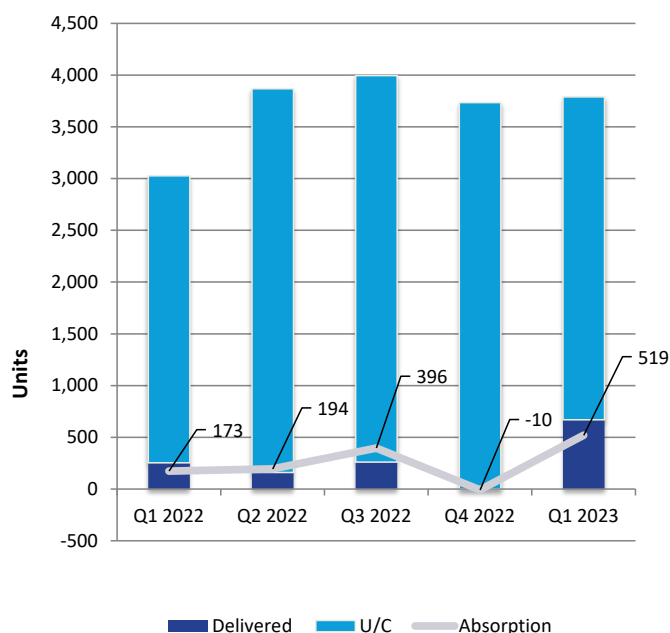
In parallel with the Denver multifamily market, the Northern Colorado market is experiencing a surge in employment opportunities, resulting in increased rental rates and favorable absorption. While the previous quarter saw the first negative absorption in 45 quarters, the subsequent quarter demonstrated a remarkable resurgence with absorption rising to 512 units. Although absorption rates are expected to experience a marginal dip, construction and asking lease rates are expected to rise. The significant amount of product currently under construction in Northern Colorado, totaling just over 3,000 units, supports the optimistic trends and highlights continued expansion for the Northern Colorado multifamily market.

Average Rent & Vacancy Trends



Source: CoStar

Units Absorbed vs. Delivered & Under Construction



Source: CoStar

Sales Activity

PROPERTY	CITY	SALE PRICE	# OF UNITS	Price Per Unit	Buyer
Fox Meadows	Fort Collins	\$36,801,000	138	\$266,674	Stig Boye Thu
Parkwood Place Apartment	Greeley	\$15,250,000	124	\$122,984	Halaby Capital

Source: CoStar

351 offices in 67 countries on 6 continents

United States: 115
Canada: 41
Latin America: 12
Asia Pacific: 33
EMEA: 78



\$3.3B
in revenue



2B
square feet under management



18,000 +
professionals and staff

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