Denver

Multifamily

24Q1

The Denver Metro Multifamily market maintained growth in Q1 2024, with increased demand reducing vacancy. New deliveries joined the market, leading to increased absorption. A continued decrease in construction activity shows the market adjusting towards pre-pandemic levels. Rent is expected to slowly increase, as the future projects continued added demand.

Accelerating success.

Multifamily
Denver 24Q1

Key Takeaways

- Vacancy is down 20 basis points, but forecasted to increase during 2024.
- Absorption increased by 781 square feet, with new deliveries coming into the market.
- Ongoing construction has decreased by 2,296 square feet, with many units being delivered over the past year.
- Average rent increased by $29, and is forecasted to slowly increase with added demand.

		YOY	Forecast
Vacancy Rate	5.7%	▼	▲
Net Absorption	2,635 units	▲	▼
Under Construction	28,531 units	▼	▼
Asking Lease Rates	$1,831	▲	▲

Continued Optimism in the Denver Market

The Denver Metro multifamily market continued to grow in Q1 2024, with vacancy down to 5.7% from 6.8% during the previous quarter. Demand for apartment space has increased, but the growing pipeline of multifamily space has vacancy rates projected to grow over the next year. Absorption has increased year-over-year from 1,847 SF to 2,635 SF, but is projected to decrease over the next year due to the surge of new multifamily deliveries. Construction activity remains steady, although it has decreased around 8,000 square feet YOY. This decrease in construction was expected after seeing a major increase post-pandemic. Average monthly rents are up slightly YOY, with Q1 effective rents at $1,831 across the Denver Metro. Asking rates will struggle to increase as this actively increased supply outpaces a slight increase in demand. The Denver Metro multifamily market is in a position to grow, but not until the pipeline pressure subsides.

Market Indicators

3.50%
Denver Unemployment Rate

2.52%
Denver YOY Real GDP Growth

4.192%
US 10 Year Treasury Note

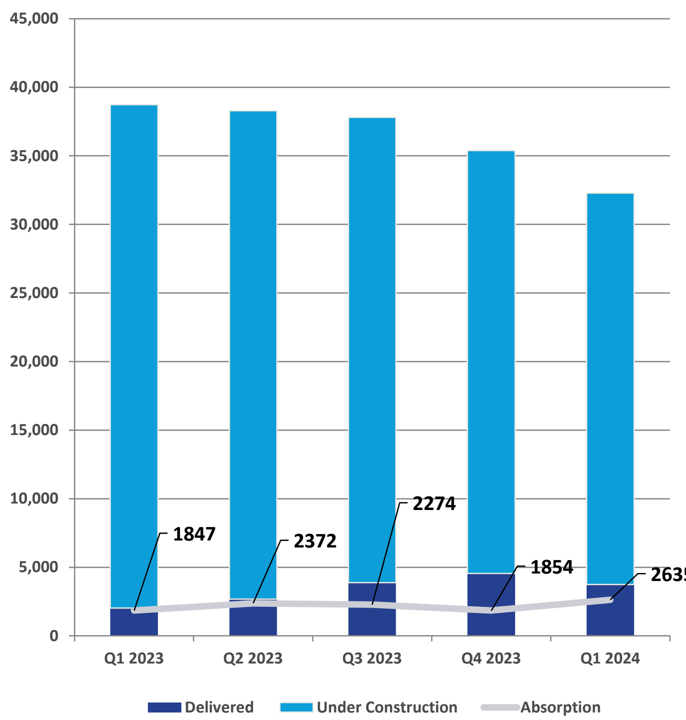
Historic Comparison

	2024 Q1	2023 Q4	2023 Q1
Total Inventory (Existing Units)	309,283	305,535	294,409
Units Delivered	3,748	4,558	2,031
Units Absorbed	2,635	1,854	1,847
Occupancy	94.30%	94.10%	93.20%
Under Construction	28,531	30,827	36,696
Average Monthly Rent	1,831	1,802	1,819

Source: CoStar

Market Graph

Units Absorbed vs. Delivered & Under Construction

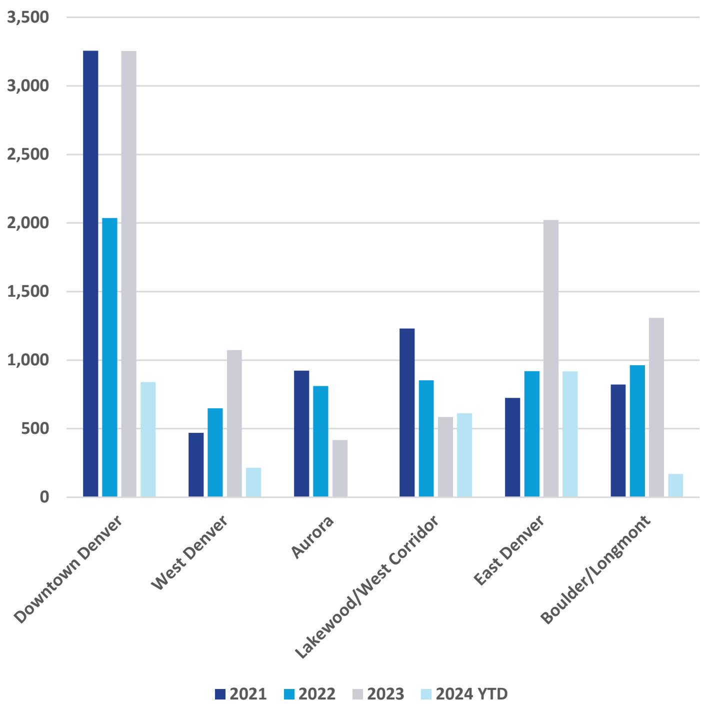


Source: CoStar

Construction

Denver has maintained consistent construction activity over the past quarter, with 3,748 new units delivered. Construction activity saw a slight decline, but remained high at 28,531 units, placing Denver near the top among nationwide markets. New construction starts have declined, with many developers struggling to get financing for their projects. New affordable housing initiatives are also slowing development. Developers are targeting East Denver, with 919 unit completions this quarter, outpacing other submarkets compared to years past. Despite developers diminishing market outlook, Denver has a large enough pipeline to shift vacancy rates in 2024.

Submarket Unit Completions by Year

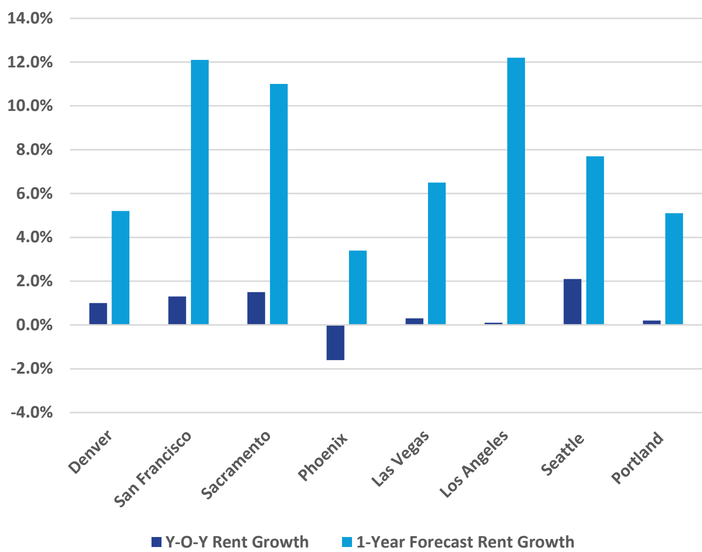


Source: CoStar

Investment Activity

Investment activity in the Denver Metro has slowed over the past year, due in part to below average rent growth and increased interest rates frightening buyers. Investment sales in the market totaled at $937,576,500 in Q1, on par with 2023 but relatively low compared with the last ten years. Despite a relatively low Q1, Downtown has continued to lead in activity, totaling $67,187,500 in sales. Cherry Creek and River North, however, have been recently targeted by investors because of the elevated rents and low vacancy rates. Investment activity is expected to increase in those areas. Notable investment sales include Commons Park West, a 339 unit building in the LoHi submarket bought by Mesirow Financial for $145,500,000, and Windsor Townhomes and Apartments, a 352 unit building in the Bear Creek submarket bought by Brixton Capital for $124,250,000. Investment activity is expected to remain slow until buyers return to an optimistic state, which should take until 2025.

YOY Rent Growth vs. 1-Year Forecast Rent Growth



Source: CoStar

Sales Activity

PROPERTY	CITY	SALE PRICE	# OF UNITS	PRICE PER UNIT	BUYER
1550 Platte St.	Denver	$145,500,000	339	$429,204.00	Mesirow Financial
8153 W. Eastman Pl.	Lakewood	$124,250,000	352	$352,983.00	Brixton Capital
3360 Esker Cir.	Castle Rock	$75,000,000	238	$315,126.00	Harbor Group International
700 S. Reed Ct.	Lakewood	$74,300,000	318	$233,648.00	ColRich
932 S. Helena Way	Aurora	$74,000,000	360	$205,556.00	The Bascom Group

Source: CoStar

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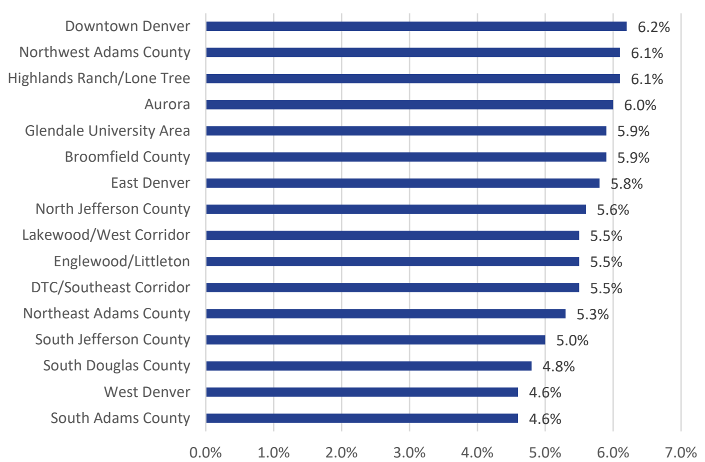
Vacancy

In Q1 2024, vacancy is still high in the Denver Metro. With the surge of new multifamily space being delivered, demand can't catch up, resulting in higher vacancy. On a positive note, vacancy has been trending down since Q4 2022, but it is projected to remain high through Q2 2026. Vacancy has decreased by 20 basis points this quarter to 5.7%, and it is down 110 basis points YOY. The highest vacancy rate remains in the Denver submarket at 6.2%, but the West Denver submarket is strong at 4.6%. With new construction starts projected to decrease in the next two years, vacancy should start to balance out as the demand catches up to the supply.

Absorption

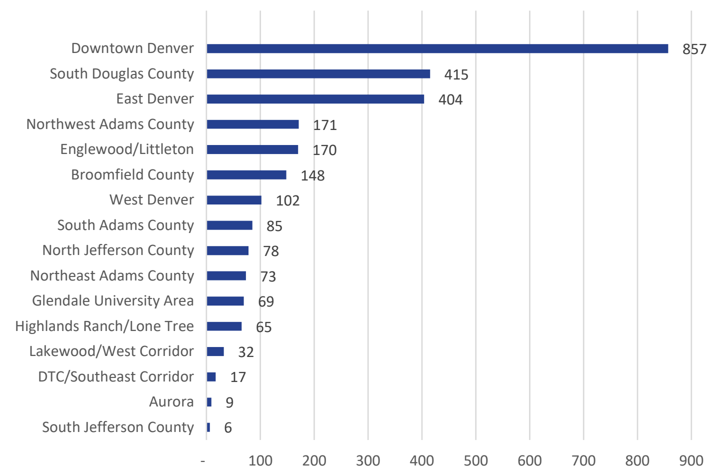
The Denver Metro market showed absorption growth in Q1 2024. Net absorption increased by 781 units during Q1 and 788 YOY, indicating an increase in leasing activity. Absorption is expected to rise in 2024, but level out in the next two years as ongoing projects deliver in Denver. With more jobs being created in the Denver Metro, the employment population is growing steadily. The Downtown submarket still leads with 857 absorbed units, as the Highlands and River North submarkets become more appealing for young professionals. The DTC/Southeast submarket has been slower, with only 17 units of absorption in Q1. Like vacancy, absorption will likely decrease with the recent flood of supply, but it is expected to adjust in 2026 and begin to increase again.

Vacancy by Submarket



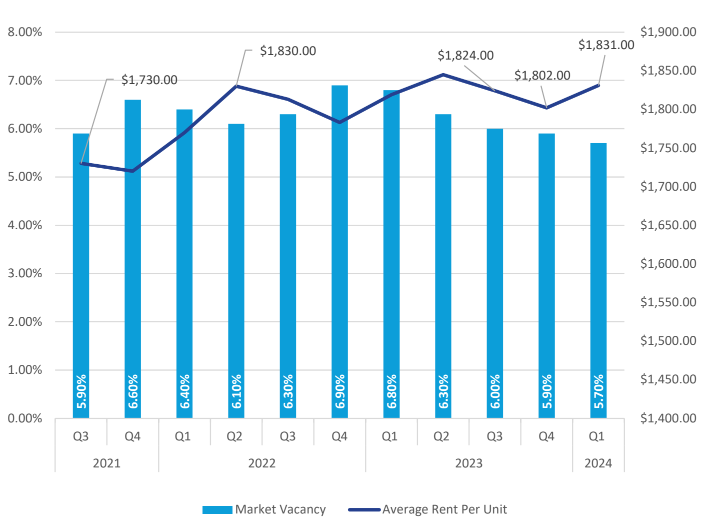
Source: CoStar

Net Absorption Current Qtr. Units



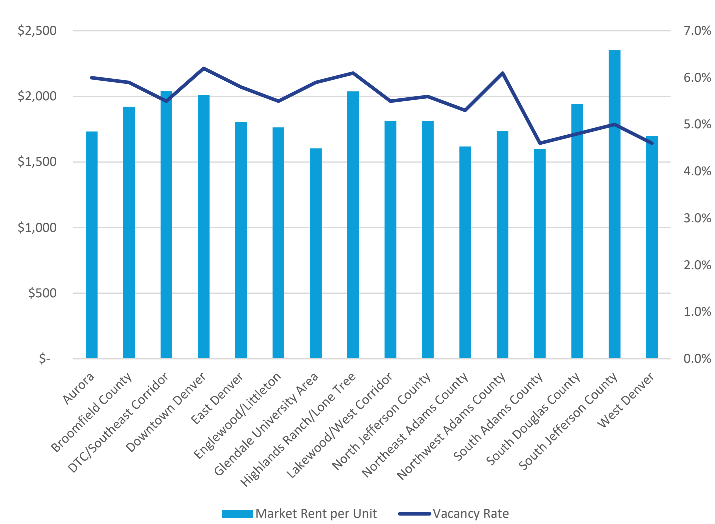
Source: CoStar

Market Vacancy and Average Market Rents



Source: CoStar

Rent and Vacancy By Submarket



Source: CoStar

Lease Rates

In Q1 2024, lease rates bounced back after decreasing from Q2 2023 to the end of the year. Lease rates increased $29 to $1,831 in Q1 2024, with a YOY increase of $12. Rates got to $1,845 in Q2 2023, but decreased until year end. Rates are expected to increase in 2024 and into 2025, even with the population seeking alternatives with a high cost of living. Downtown Denver rent growth has not been able to keep up with other submarkets, as renters seek affordable spaces in suburban submarkets. This trend should continue through 2024, even with ample activity in the construction pipeline.

Forecast

As the Denver Metro multifamily market continues to navigate post-pandemic struggles, the outlook is clouded by a projected increase in vacancy rates and a decrease in absorption and construction activity. The Downtown submarket is forecasted to struggle, with renters instead gravitating towards cheaper, suburban options in the future. Construction activity is expected to decrease rapidly as projects deliver and new construction drops, which should contribute to future rent growth by 2025. As new supply continues to outpace demand, vacancy rates will remain at an above average level until 2026, but should start to balance out as the pipeline dries up. Although the outlook is overcast in the near future, the Denver Metro should adjust and balance out in the next five years.

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	156	39,970	6.0%	$1,732	3.20%	9	-	3,305
Broomfield County	43	10,647	5.9%	$1,921	-1.10%	148	-	2,016
DTC/Southeast Corridor	57	14,548	5.5%	$2,043	0.40%	17	250	1,608
Downtown Denver	279	49,774	6.2%	$2,010	-1.60%	857	841	7,429
East Denver	95	22,508	5.8%	$1,804	0.70%	404	647	2,348
Englewood/Littleton	69	11,505	5.5%	$1,764	1.10%	114	170	1,986
Glendale University Area	111	22,713	5.9%	$1,604	2.50%	69	-	778
Highlands Ranch/Lone Tree	39	11,794	6.1%	$2,039	1.00%	65	-	1,059
Lakewood/West Corridor	139	24,169	5.5%	$1,811	-0.30%	32	613	505
North Jefferson County	77	13,317	5.6%	$1,811	1.60%	78	53	1,524
Northeast Adams County	73	14,423	5.3%	$1,618	2.40%	73	50	534
Northwest Adams County	101	25,391	6.1%	$1,736	1.40%	171	534	549
South Adams County	34	6,303	4.6%	$1,600	1.10%	85	374	423
South Douglas County	59	13,931	4.8%	$1,941	0.70%	415	-	1,214
South Jefferson County	22	5,604	5.0%	$2,352	1.20%	6	-	479
West Denver	136	21,675	4.6%	$1,699	-0.30%	102	216	2,694
Totals	1,498	309,283	5.7%	$1,831	1.00%	2,638	3,748	28,451

Source: CoStar

Denver Metro Historical								
Q1 2024	1,498	309,283	5.7%	$1,831	1.37%	2,638	3,748	28,451
Q4 2023	1,481	305,535	5.9%	$1,802	1.10%	1,854	4,558	30,827
Q3 2023	1,464	300,977	6.0%	$1,824	0.60%	2,274	3,878	33,925
Q2 2023	1,449	297,099	6.3%	$1,845	0.80%	2,372	2,690	35,609
Q1 2023	1,436	294,409	6.8%	$1,819	2.80%	1,847	2,031	36,696

Source: CoStar

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Colorado Springs

Multifamily

24Q1

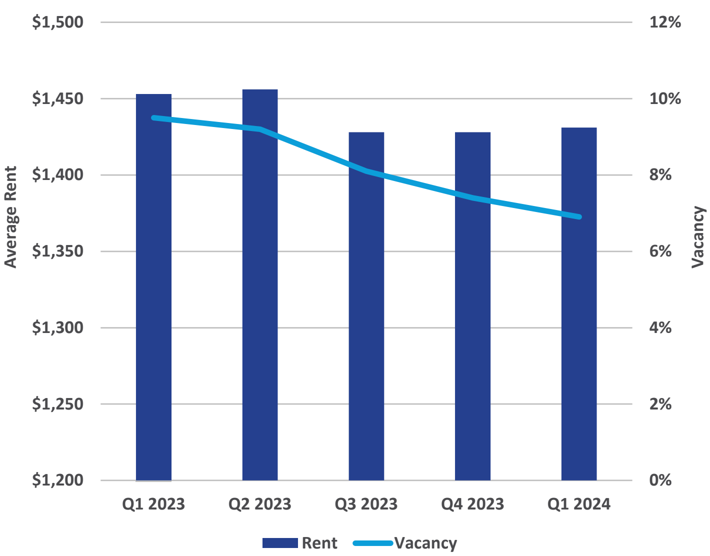
Highlights

- Vacancy rates decreased 260 basis points YOY and 50 basis points during Q1, ending at 6.9%.
- Absorption ended at 777 units, up 379 units YOY and 13 units during Q1.
- Construction activity decreased to 6,825 units, down 1,530 units YOY and 1,007 units during Q1.
- Lease rates decreased by $22 per unit YOY, but increased by $3 per unit during Q1, ending at $1,431.

		YOY	FORECAST
Vacancy Rate	6.9%	▼	▲
Net Absorption	777 units	▲	▼
Under Construction	6,825 units	▼	▼
Asking Lease Rates	$1,431	▼	▲

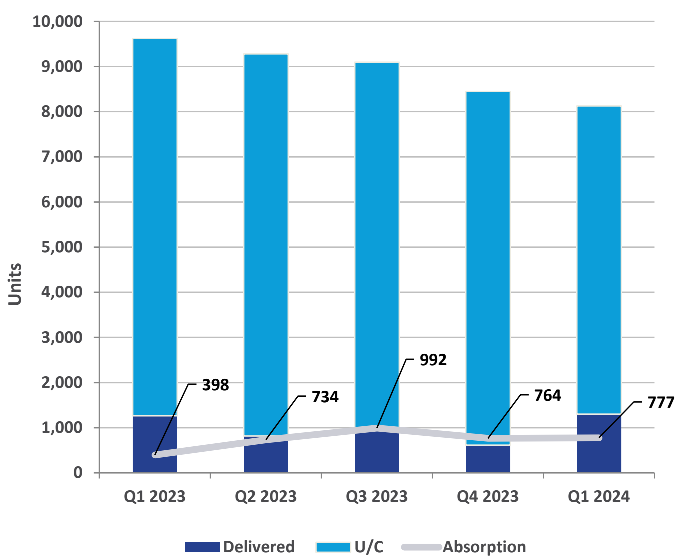
In Q1 2024, the Colorado Springs multifamily market showed signs of growth, with vacancy decreasing 50 basis points to 6.9% and a YOY decrease of 260 basis points. Absorption was up by 13 units in Q1 and 379 units YOY, indicating good leasing activity with a variety of new deliveries in the market. Construction activity decreased by 1,007 units during the quarter, and 1,530 units YOY. The focus for developers has been 4 and 5 star luxury projects, even though those projects show negative rent growth. Lease rates remain steady, increasing by $3 per unit to $1,431 during the quarter, although that is down from $1,453 during Q1 2023. With new supply continuing to enter the market, vacancy should rise until demand can match.

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
5520 Woodmen Ridge View	Colorado Springs	$67,700,000	260	$260,385	Northland
2420 N. Union Blvd.	Colorado Springs	$2,575,000	20	$128,750	RJC
412-422 Arrawanna St.	Colorado Springs	$1,050,000	12	$87,500	Berkshire Hathaway California Properties
520 N. Weber St.	Colorado Springs	$910,000	6	$151,667	John B. & Sally F. Broomfield

Source: CoStar

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Northern Colorado

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Highlights

- Vacancy rate is down to 4.9%, a 50 basis point decrease in Q1 and a 20 basis point decrease YOY.
- Absorption increased to 276 units, up 9 units during the quarter and 51 units YOY.
- Lease rates are up to $1,547, an increase of $24 during Q1 and $13 YOY.

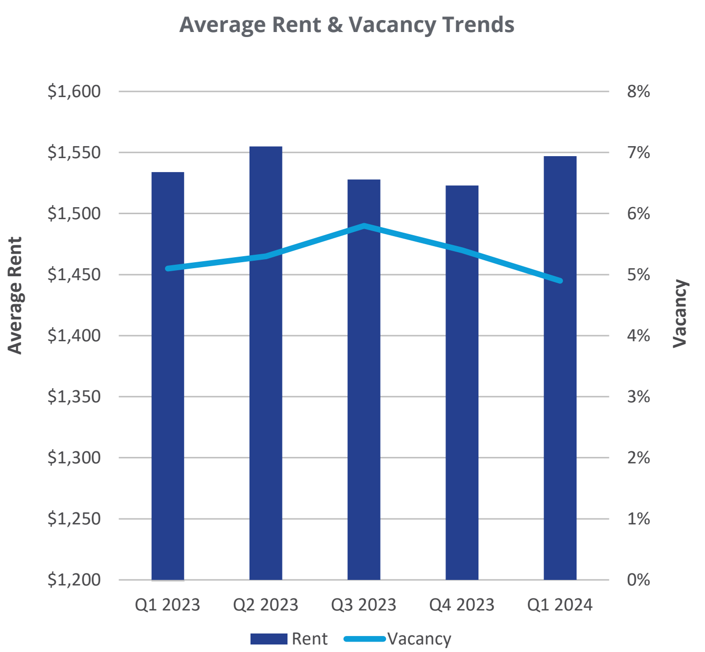
Vacancy Rate 4.9% — YOY ▼ / FORECAST ▲

Net Absorption 276 units — YOY ▲ / FORECAST ▼

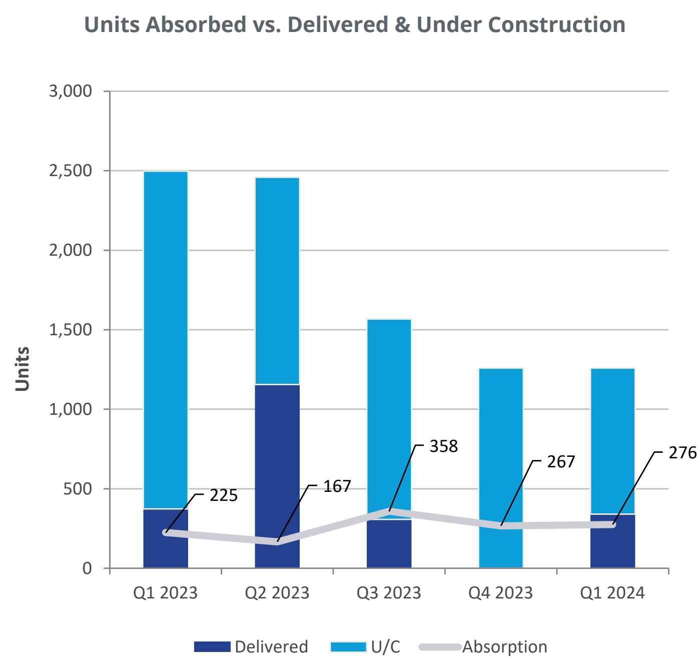
Under Construction 919 units — YOY ▼ / FORECAST ▼

Asking Lease Rates $1,547 — YOY ▲ / FORECAST ▲

In Q1 2024, the Northern Colorado market continued to grow, with vacancy decreasing to 4.9%, down 50 basis points during the quarter and 20 basis points YOY. However, vacancy is projected to grow, with new deliveries and no shift in demand. Absorption increased to 276 units, up 9 units during the quarter and 51 units YOY, showing positive trends in leasing activity in the short term. Absorption is projected to decrease in the coming years with ongoing projects being delivered. Construction activity decreased as well, with 919 units under construction during Q1. That is down 340 units during the quarter and 1,204 units YOY. Lease rates, however, increased during the quarter and are expected to continue to increase throughout 2024. Effective rent ended Q1 at $1,547, up $24 during the quarter and $13 YOY. Although renters are uncertain about the state of the economy, the Northern Colorado market remains strong into 2024.



Source: CoStar



Source: CoStar

Sales Activity

PROPERTY	CITY	SALE PRICE	# OF UNITS	PRICE PER UNIT	BUYER
507 Grand Estates Dr.	Estes Park	$4,800,000	16	$300,000.00	Scott Moulton
366 E. Mountain Ave.	Fort Collins	$1,100,000	5	$220,000.00	Cushman & Wakefield

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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