



Colliers

Denver

Multifamily

21Q4

The immense rental demand the Mile High City is experiencing positions the Denver Metro multifamily market to continue its impressive growth into the new year.

Accelerating success.

Multifamily Breaking Records

- Metro Denver's vacancy rate rose 53 basis points from 5.6% in Q3 to 6.13% in Q4
- Rental rates cool and finish the quarter at \$1,693/unit
- Construction remains robust despite adversities with 16,387 units underway
- \$4.5 billion in more than 50 transactions with an average price per unit at \$350,000



Denver Multifamily is Thriving

While other commercial real estate sectors felt the distress of the pandemic, the Denver multifamily market had no problem weathering the storm. What was once concern and uncertainty in the first chapter of the pandemic quickly changed to enthusiasm and opportunity driven by strong rental demand as a result of residents taking advantage of remote work opportunities by migrating to new cities. Denver proved to be a top destination for the migrants who are drawn to the city's vibrant economy, unrivaled outdoor scenery, and tranquil lifestyle. To meet this demand, the Denver multifamily market delivered more than 3,100 units this past quarter and still have another 16,387 units in the pipeline. Despite the large increase in inventory, vacancy rates continued to hover around 6% as absorption remained robust with 1,600 units absorbed. Market rents finished the quarter at \$1,693, displaying an astounding 12% YOY growth. The growth the city is experiencing is alluring investors to get a piece of the strong rental demand. The past 90 days recorded unprecedented investment activity with over 12,000 units sold generating a transaction volume of \$4.5 billion. With positive investor sentiment in tandem with an abundant amount of project deliveries, Denver finished 2021 vigorously and is in great standing heading into 2022.

Market Indicators



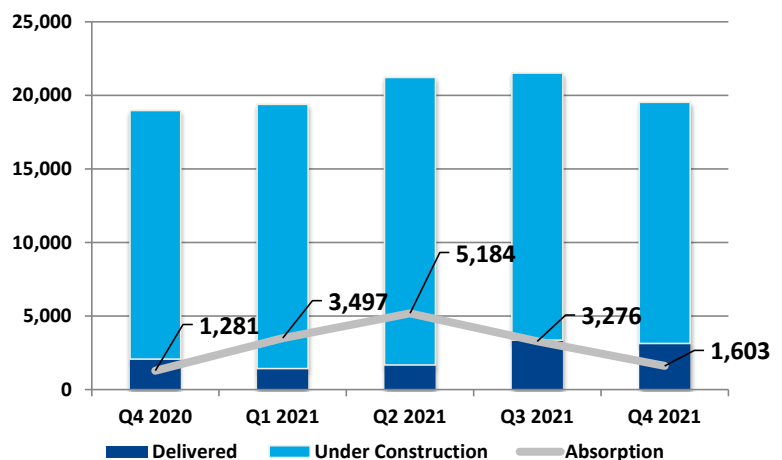
Historic Comparison

| | 2021 Q4 | 2021 Q3 | 2020 Q4 |
|---|------------|------------|------------|
| Total Inventory (Existing Units) | 276,870 | 273,717 | 265,913 |
| Units Delivered | 3,141 | 3,366 | 2,064 |
| Units Absorbed | 1,603 | 3,276 | 1,281 |
| Occupancy | 93.87% | 94.40% | 92.30% |
| Under Construction | 16,387 | 18,141 | 16,905 |
| Average Monthly Rent | \$1,692.58 | \$1,702.00 | \$1,487.00 |

Source: CoStar

Market Graph

Units Absorbed vs. Delivered & Under Construction



Source: CoStar

Denver saw a large increase in inventory over the last two quarters as absorption numbers dropped. Absorption will climb back up, while deliveries cool in the impending future.

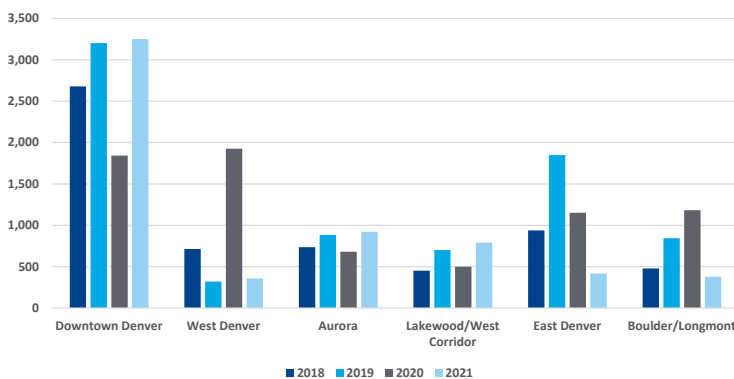
Construction

The Denver multifamily market delivered 3,141 units this past quarter which followed the 3,366 units delivered in Q3. A majority of these deliveries were Class A mid-rise buildings in the Downtown Denver Submarket. One of the largest deliveries in the Downtown Denver Submarket this past quarter was DriveTrain, a 417-unit five story complex that offers top tier amenities. The substantial number of multifamily deliveries over the last six months were necessary to halt the exponential growth in rent and continuous decrease in vacancy the market was experiencing from the aggressive renter demand. The influx of inventory that hit the market dropped units under construction to 16,387, its lowest point in two years. Expect this number to tick back up quickly as renter demand will persist into the new year.

Investment Activity

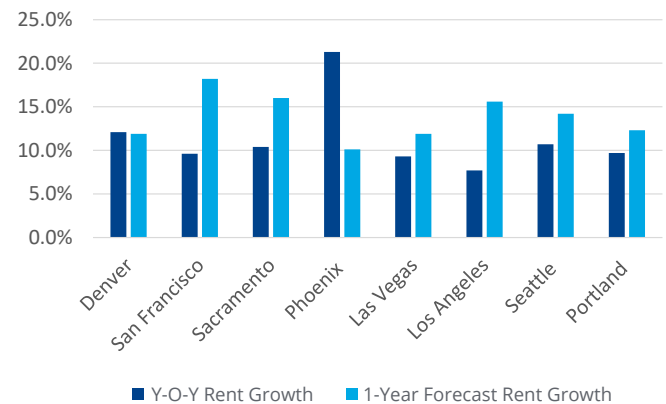
Investment activity in the mile-high city had yet another record-breaking quarter for transaction volume. Over the past 90 days, Denver recorded 54 transactions generating a sales volume of \$4.5 billion, making it the largest quarter for investment activity since tracking began in 2000. There were 20 sales over \$100 million, a result of cap rates continuing to stay low as investors are captivated by the low vacancy and rent growth the city has documented over the course of 2021. Average price per unit is also recording continual growth quarter-over-quarter with average price per unit in Q4 reaching \$354,664. Although it will be difficult for total transaction volume to increase in Q1 of 2022, average price per unit will continue its pattern of progression. The impressive job growth that is complemented by the highly educated growing Denver population equates to a multifamily market that thrives. Investors from all over the country want equity in the landlord's market the city is experiencing.

Submarket Unit Completions by Year



Source: CoStar

YOY Rent Growth vs. 1-Year Forecast Rent Growth



Source: CoStar

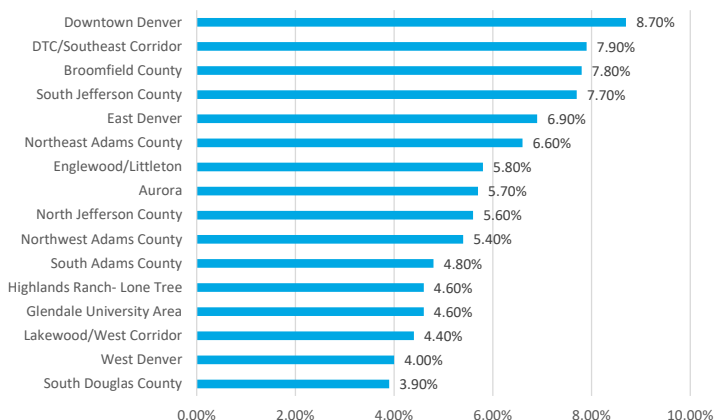
| PROPERTY | CITY | SALE PRICE | # OF UNITS | Price Per Unit | Buyer |
|----------------------------|------------|---------------|------------|----------------|---|
| Arista Flats | Broomfield | \$191,000,000 | 526 | \$363,118 | Millburn & Company |
| AMLi at Uptown | Denver | \$181,000,000 | 316 | \$572,785 | AMLi Residential |
| 7575 Town Center | Denver | \$178,480,300 | 398 | \$448,443 | Starwood Real Estate Income Trust, Inc. |
| The Milo | Denver | \$169,500,000 | 319 | \$531,348 | Equity Residential |
| Waterfront Apartment Homes | Lakewood | \$160,250,000 | 608 | \$263,569 | Bridge Investment Group |

Source: CoStar

Vacancy

The Denver metro documented a vacancy rate of 6.13% this quarter, a 53 basis-point increase from Q3. This small increase in vacancy can be attributed to the more than 3,000 units that were delivered over the quarter. Overall, vacancy remains healthy and is down 157 basis points from this time last year. Downtown Denver is responsible for most of the vacancies with an 8.7% vacancy rate for the more than 44,000-units in the submarket. South Douglas County recorded the lowest vacancy rate at 3.9%. Vacancy is expected to hover around this 6.0% to 7.0% range for the beginning of 2022, and then eventually drop back into the 5%’s when the rental season kicks into gear during Q2.

Vacancy by Submarket

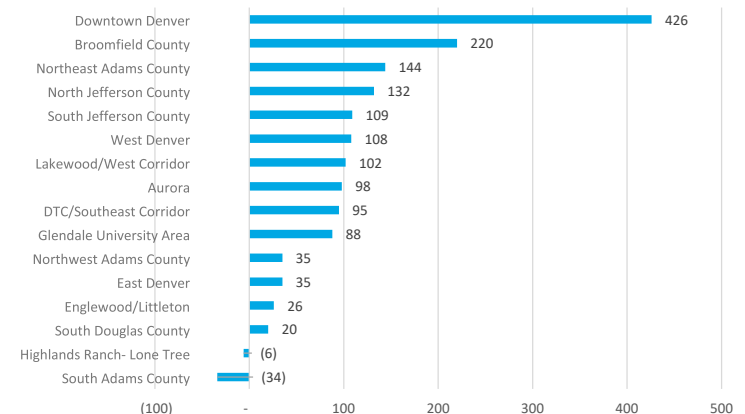


Source: CoStar

Absorption

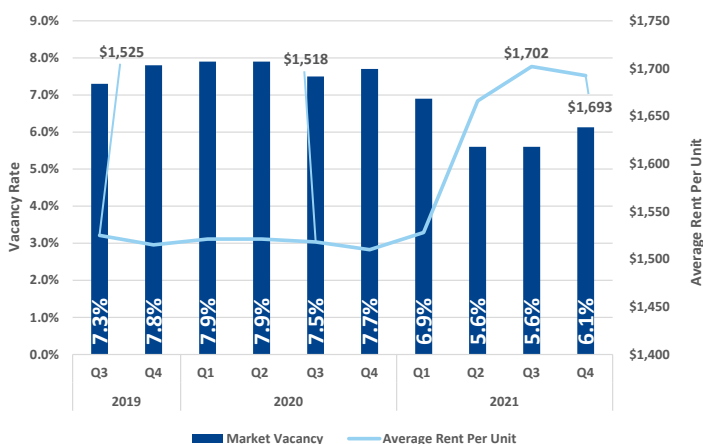
The demand for apartments in Denver allowed absorption this quarter to remain healthy. A total of 1,603 units were absorbed in Q4 bringing the yearly total to over 13,500, making it the largest absorption recorded for Denver in a year since tracking began in 2000. Denver has seen positive absorption every quarter since Q1 of 2009, highlighting the city’s consistency of bringing in new residents over the past decade. Absorption will have another strong year in 2022; with 16,000 units under construction and the steady renter demand, new and available units will have no trouble being leased up quickly.

Net Absorption Current Qtr. Units



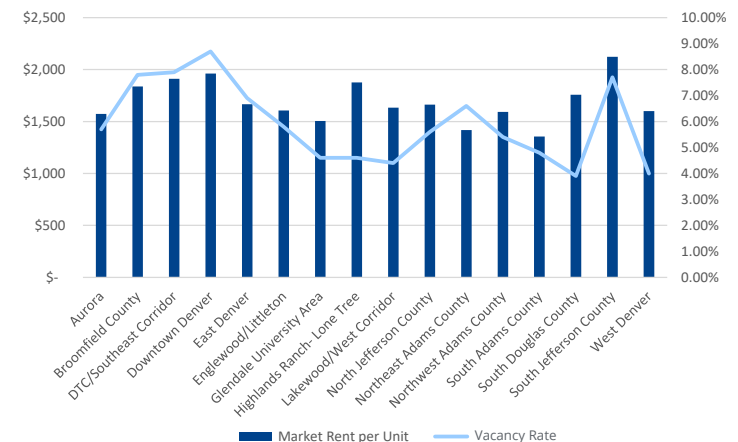
Source: CoStar

Market Vacancy and Average Market Rents



Source: CoStar

Rent and Vacancy By Submarket



Source: CoStar

Lease Rates

After a full year of consistent and hefty rent increases, Denver's market rent dropped from \$1,703 in Q3 to \$1,693 in Q4. This decrease in rent can be attributed to a combination of rental season being over as well as the large increase in supply the city experienced over the quarter, as projects that were stalled due to the pandemic hit the market. Despite the rent decrease, the YOY rent growth of 12% showcases how much rent has ascended through the year. All but two submarkets recorded YOY rent growth above 10%, accentuating that all submarkets are playing an important part in Denver's growth. South Jefferson County recorded the highest rent for the quarter at \$2,110/unit, while the South Adams County submarket recorded the lowest at \$1,355. Lease rates are expected to climb into 2022, but the rate of growth will likely not be as drastic as seen over the past 12 months.

Year In Review

Denver's Multifamily Market made great advancement over the course of 2021 and is in momentous position heading into the new year. Denver grew from about 267,000 units in inventory to almost 277,000 units by adding 51 new buildings over the past 12 months. Notwithstanding this large increase in supply, total vacant units dropped from 20,568 at the start of the year to 16,961 to finish. Market rent in Denver grew from \$1,510 last year up to \$1,693 to close out 2021, a year-over-year rent growth higher than San Francisco, Seattle, Portland, and Los Angeles. However, Denver still offers a relatively low cost of living compared to these cities, which is the reason why so many renters are attracted to the area. As there are no signs the market is dampening, Denver will continue its path of growth into 2022.

| 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 | 148 | 38,436 | 5.70% | \$1,574 | 13.90% | 98 | 174 | 915 |
| Broomfield County | 37 | 9,464 | 7.80% | \$1,838 | 12.90% | 220 | 313 | 152 |
| DTC/Southeast Corridor | 53 | 13,760 | 7.90% | \$1,912 | 14.60% | 95 | 310 | 972 |
| Downtown Denver | 254 | 44,155 | 8.70% | \$1,961 | 10.90% | 426 | 1,322 | 6,705 |
| East Denver | 75 | 18,009 | 6.90% | \$1,666 | 12.00% | 35 | 240 | 903 |
| Englewood/Littleton | 62 | 10,737 | 5.80% | \$1,606 | 12.10% | 26 | - | 349 |
| Glendale University Area | 104 | 21,505 | 4.60% | \$1,505 | 14.00% | 88 | 111 | 569 |
| Highlands Ranch - Lone Tree | 33 | 10,302 | 4.60% | \$1,876 | 15.80% | (6) | - | 240 |
| Lakewood/West Corridor | 123 | 21,495 | 4.40% | \$1,634 | 12.10% | 102 | 65 | 832 |
| North Jefferson County | 72 | 12,239 | 5.60% | \$1,662 | 12.70% | 132 | 226 | 992 |
| Northeast Adams County | 65 | 13,248 | 6.60% | \$1,418 | 8.10% | 144 | - | 406 |
| Northwest Adams County | 96 | 23,782 | 5.40% | \$1,593 | 12.90% | 35 | 116 | 668 |
| South Adams County | 25 | 4,024 | 4.80% | \$1,355 | 4.90% | (34) | - | 168 |
| South Douglas County | 39 | 9,829 | 3.90% | \$1,757 | 14.70% | 20 | - | 1,146 |
| South Jefferson County | 22 | 5,604 | 7.70% | \$2,122 | 12.20% | 109 | - | - |
| West Denver | 124 | 19,534 | 4.00% | \$1,601 | 12.50% | 108 | - | 1,370 |
| Totals | 1,338 | 276,870 | 6.13% | \$1,693 | 12.09% | 1,603 | 3,141 | 16,387 |

Source: CoStar

| Denver Metro Historical | | | | | | | | |
|-------------------------|-------|---------|-------|---------|--------|-------|-------|--------|
| 2021 Q4 | 1,338 | 276,870 | 6.13% | \$1,693 | 12.09% | 1,603 | 3,141 | 16,387 |
| 2021 Q3 | 1,322 | 273,717 | 5.60% | \$1,702 | 12.12% | 3,276 | 3,366 | 18,141 |
| 2021 Q2 | 1,300 | 269,022 | 5.60% | \$1,666 | 9.53% | 5,184 | 1,673 | 19,542 |
| 2021 Q1 | 1,294 | 267,349 | 6.90% | \$1,528 | 0.46% | 3,497 | 1,436 | 17,948 |
| 2020 Q4 | 1,287 | 265,913 | 7.70% | \$1,510 | -0.33% | 1,281 | 2,064 | 16,905 |

Source: CoStar

Key Takeaways

- Colorado Springs' vacancy rates continue to hover around 6%
- Absorption remained negative for the 2nd consecutive quarter
- Rental rates finished the quarter at \$1,356; up 11.5% YOY
- More than 4,700 units are under construction



Vacancy Rate (YOY)

Q4 2020 6.90%
Q4 2021 6.10%



Construction (YOY)

Q4 2020 2,731
Q4 2021 4,772



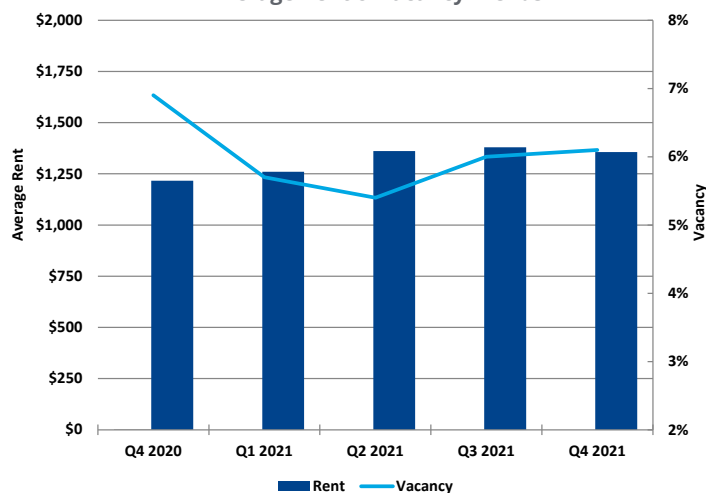
Average Rent (YOY)

Q4 2020 \$1,216
Q4 2021 \$1,356



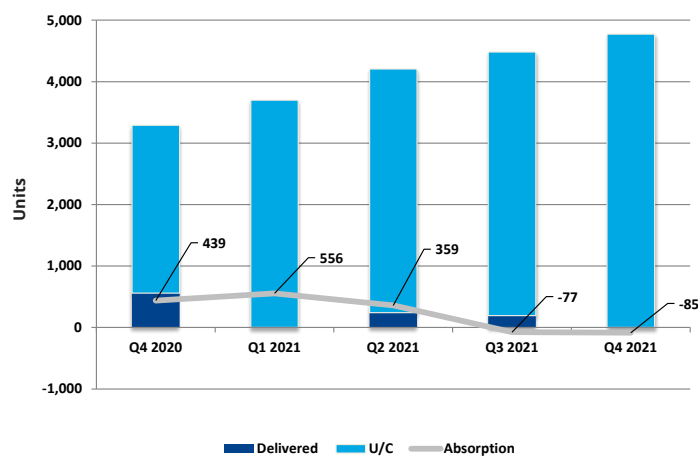
The apartment market in Colorado Springs continues to be desirable for both renters and investors, as the city in the foothills offers relatively low rents, high quality of life and a vibrant economy. As the temperature decreases, rent growth stalled over the quarter decreasing to \$1,356, however, YOY growth still outperformed most metros growing by 11.5% year-over-year. With an increase in construction and zero deliveries this quarter, expect to see a large increase in supply in the next coming quarters with more than 4,700 units on the way.

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 |
|-------------------------|------------------|--------------|------------|----------------|-----------------------------|
| The Zeb | Colorado Springs | \$57,900,000 | 193 | \$300,000 | Sunroad Holding Corporation |
| Stratus Apartment Homes | Colorado Springs | \$45,800,000 | 216 | \$212,037 | Golden Bear Equities LLC |
| Filmore Ridge | Colorado Springs | \$21,500,000 | 114 | \$188,596 | Clear Capital, LLC |
| Fireside Apartments | Colorado Springs | \$20,500,000 | 108 | \$189,815 | Clear Capital, LLC |

Source: CoStar



Northern Colorado

Multifamily
21Q4

Key Takeaways

- Northern Colorado's vacancy dropped 30 basis points to 5.6%
- Investment proved strong with four transactions over \$50 million
- Rental rates hovered in the \$1,470's to close out the year
- Construction slowed as supply chain congestion stalled projects across the nation



Vacancy Rate (YOY)

Q4 2020 9.0%
Q4 2021 5.6%

YOY
▼
FORECAST
▼



Construction (YOY)

Q4 2020 1,926
Q4 2021 1,341

YOY
▼
FORECAST
▲



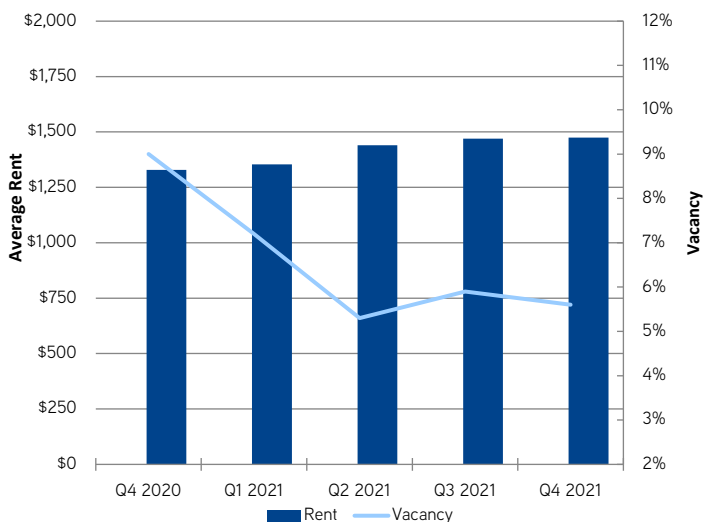
Average Rent (YOY)

Q4 2020 \$1,329
Q4 2021 \$1,474

YOY
▲
FORECAST
▲

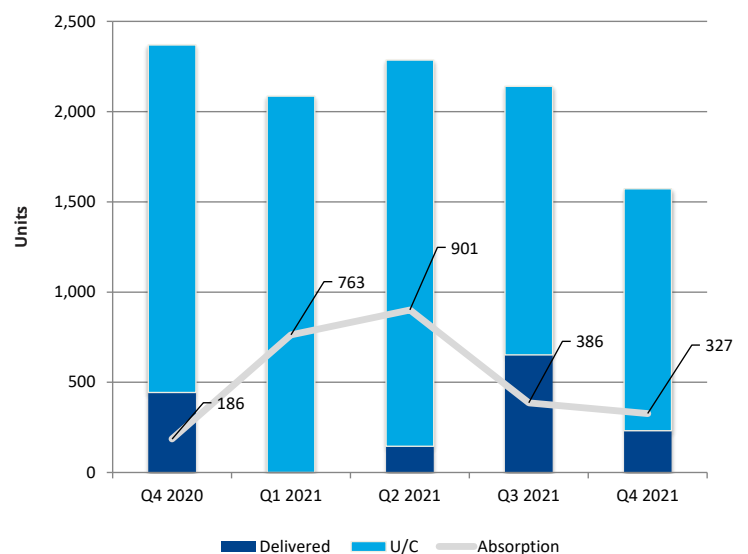
The Northern Colorado multifamily market is driven by the region's expanding job market and coveted lifestyle. The demand to live in Northern Colorado has pushed rents to rise and vacancy to drop 340 basis points YOY with these trends expected to continue into 2022. Investment finished the quarter in healthy standing with four properties selling for more than \$50 million. With deliveries trailing absorption for the 3rd quarter this year, all signs warrant a potential increase in construction activity in the near future to meet the demand the area is experiencing.

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 |
|-----------------------------|--------------|--------------|------------|----------------|-----------------------------------|
| Ten West | Greeley | \$80,000,000 | 264 | \$303,030 | Summit Management Services, Inc. |
| The Habitat at Fort Collins | Fort Collins | \$66,500,000 | 300 | \$221,667 | ColRich |
| Miramont Apartments* | Fort Collins | \$57,361,000 | 210 | \$273,148 | Jones Lang LaSalle Property Trust |
| Pinecone Apartments* | Fort Collins | \$51,626,000 | 195 | \$264,749 | Jones Lang LaSalle Property Trust |

*Part of Portfolio Sale
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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