

Colliers

Denver

Multifamily

22Q1



Connect at First Creek is a Colliers represented property.

Fueled by the strong economy and high quality of life, apartment demand remains strong in the Mile High City as rental rates continue to climb. **The Denver multifamily market will ride the momentum of a monumental 2021 to another notable year in 2022.**

Accelerating success.



# Denver Multifamily 22Q1

## Key Takeaways

- Construction sees an uptick with over 23,600 units on the way.
- Absorption remains positive for the 52nd consecutive quarter.
- Lease rates climb 12.7% YOY reaching \$1,743 a unit.
- Vacancy continues to hover around 6.4%.



## Denver Multifamily is Thriving

The Denver multifamily market entered the new year with positive investor sentiment driven by the strong renter demand. This momentum carried well through the last 90 days with another impressive quarter in the books. The city's roaring economy, countless recreational activities, and spectacular weather all year round makes for no shortage of migrants coming to the area in search of an apartment. And with the red hot housing market making it difficult to purchase a home, more people are forced to rent adding to the markets competitiveness. To meet this immense demand, multifamily construction picked up this quarter by increasing units on the way to more than 23,600, the most construction activity the city has ever recorded. The city also delivered 1,589 units in the past 90 days, but despite the increase in inventory, vacancy remained stagnant hovering around 6.4%. To no surprise, absorption remained positive this quarter at 1,437 units and will continue to remain positive through the year. Lease rates grew 12.7% year-over-year reaching \$1,743 a unit, and no signs warrant a decrease in these prices in the near future. With investors attracted to the city's low vacancy, rising rents, and steady inflow of new migrants, over 3,500 units have sold so far this year generating a transaction volume of \$1.19 billion. Looking ahead, deliveries will pick back up, investment activity will accelerate, and the multifamily market will ride the momentum of a monumental 2021 to another notable year in 2022.

## Market Indicators

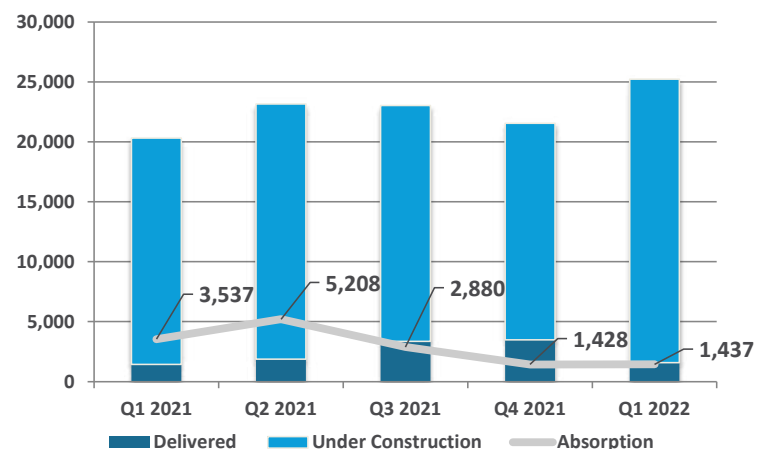


## Historic Comparison

	2022 Q1	2021 Q4	2021 Q1
<b>Total Inventory (Existing Units)</b>	279,678	278,089	269,353
<b>Units Delivered</b>	1,589	3,493	1,436
<b>Units Absorbed</b>	1,437	1,428	3,537
<b>Occupancy</b>	93.60%	93.60%	93.10%
<b>Under Construction</b>	23,627	18,062	18,874
<b>Average Monthly Rent</b>	\$1,742.81	\$1,701.00	\$1,555.00

## Market Graph

### Units Absorbed vs. Delivered & Under Construction



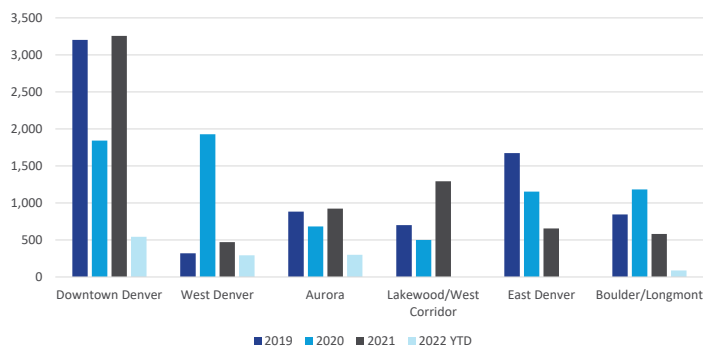
Source: CoStar

Source: CoStar

## Construction

Throughout the first quarter of the new year, multifamily construction in Denver delivered 6 buildings totaling 1,589 units, a 54% decrease in deliveries from the prior quarter. The largest of these deliveries was the 393-unit *Citizen 10* located downtown in the Golden Triangle neighborhood; one of the most competitive multifamily markets in the city. This property was delivered with modern finishes and high-end amenities, a good representation of what developers are prioritizing and renters are seeking out in a Class A, newly constructed property. Although deliveries slowed this quarter, units under construction increased substantially to more than 23,600 units on the way, representing more than 8.4% of current total stock. About one third of these construction sites are located downtown with an emphasis on the Lincoln Park, Five Points, and RiNo neighborhoods. A reason for this increase in construction can partially be attributed to the compressed cap rates currently in the market. Some investors can generate a higher return by building rather than acquiring an existing property at a low cap. With all these units on the way, deliveries will start to pick up later in 2022.

Submarket Unit Completions by Year



Source: CoStar

## Sales Activity

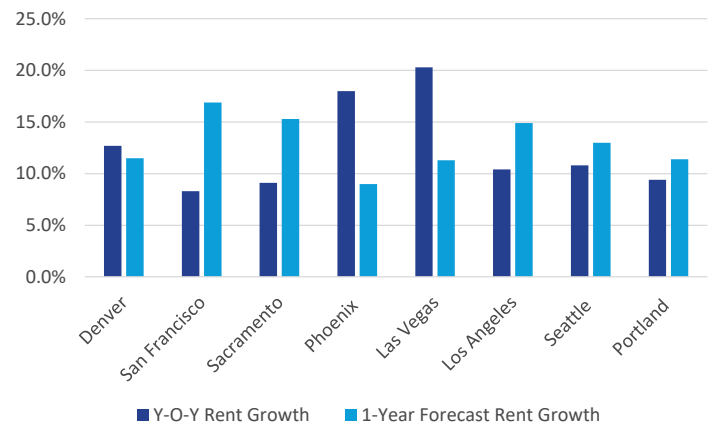
PROPERTY	CITY	SALE PRICE	# OF UNITS	Price Per Unit	Buyer
AMLI Art District	Denver	\$155,000,000	337	\$459,941	AMLI Residential
Stone Cliff Apartments	Aurora	\$143,000,000	394	\$362,944	MG Properties
3300 S. Tamarac Apartments	Denver	\$141,000,000	564	\$250,000	MG Properties
Glen at the Park	Aurora	\$137,000,000	468	\$292,735	MIG Real Estate
Gateway at Arvada Ridge Apartments	Arvada	\$100,000,000	293	\$341,297	Blackstone Inc.

Source: CoStar

## Investment Activity

As expected, investment activity cooled down from the record-breaking previous quarter, but the momentum didn't stop entirely. Over the past 90 days, the Denver multifamily market recorded 16 transactions generating a sales volume of more than \$1.19 billion. This illustrates a 53% increase from the previous year. Average price per unit remained vigorous at \$334,242, a 23% YOY growth. A notable transaction for the quarter was the sale of 255 Washington St., a 107-unit state-of-the-art complex located in Washington Park, which sold for \$63 million. This sale transacted at \$588,785 per unit, the highest price per unit sale of the quarter. With market rent at its current numbers, expect investors to continue to chase equity in the high pro-forma rents that are currently being underwritten. Investment activity will remain resilient as investors chase the increasing rents and consistent renter demand that has been established in the area for some time.

YOY Rent Growth vs. 1-Year Forecast Rent Growth

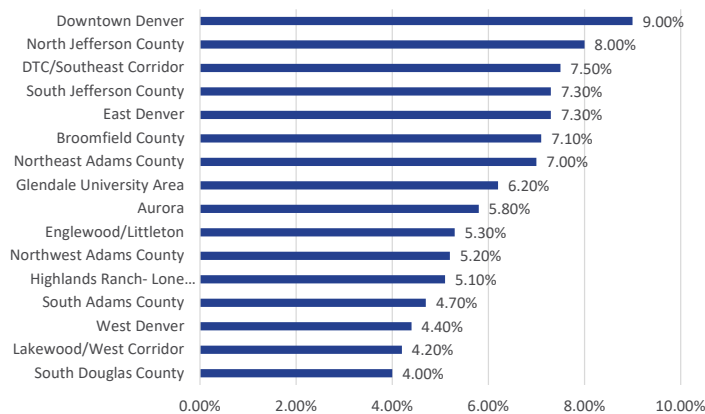


Source: CoStar

## Vacancy

Vacancy rates remained stagnant over the past 90 days, continuing to hover around 6.4%. Vacancy rates have not exceeded 6.4% or dipped below 5.6% over the last 4 quarters, highlighting the consistency buildings are experiencing with filling units. This quarter will also be the 5th consecutive to record a vacancy rate smaller than the trailing 5-year average of 7.11%, demonstrating the market is continuing to head in the right direction for landlords. Downtown Denver experienced the highest vacancy rate for a submarket at 9%, while South Douglas County saw the lowest at 4%. With the substantial increase in new construction in tandem with the strong demand, vacancy rates will likely remain hovering around this 6.4% going forward.

Vacancy by Submarket

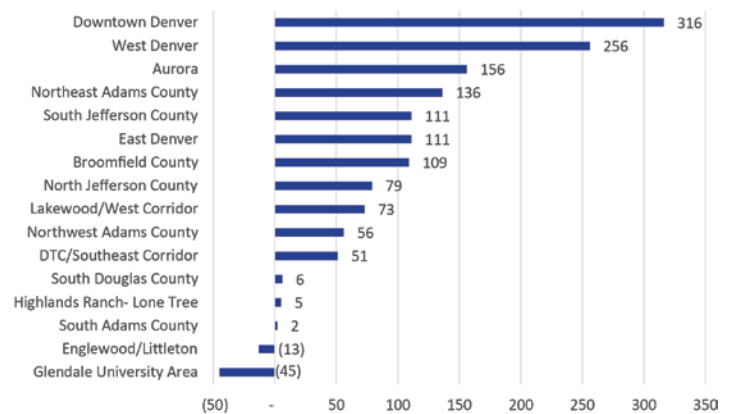


Source: CoStar

## Absorption

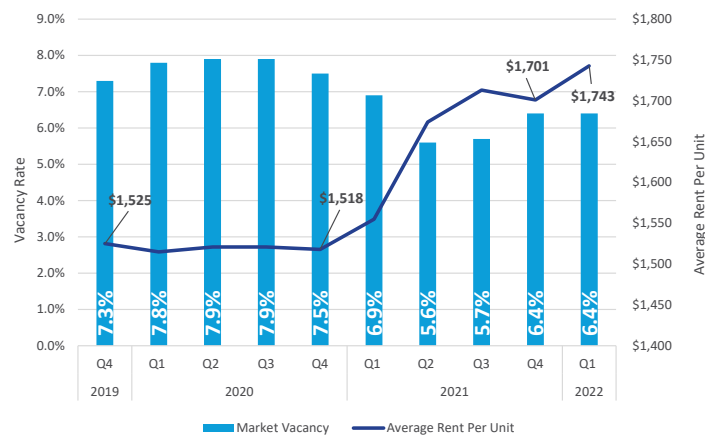
Absorption continues to tell the tale of the competitiveness of the Denver multifamily market over the past decade. Renter demand has remained persistent for years allowing new and available units to get leased up quickly. Downtown Denver posted the highest absorption at 316 units, while the Englewood/Littleton and Glendale University Area were the only two submarkets to post negative absorption. With a total of 1,437 units absorbed, this marks the 52nd consecutive quarter with positive absorption, and there are no market indicators that warrant this trend is going away anytime soon. The region has only posted 5 quarters of negative absorption since tracking began in 2000. Expect positive absorption numbers throughout 2022, as renter demand is only growing.

Net Absorption Current Qtr. Units



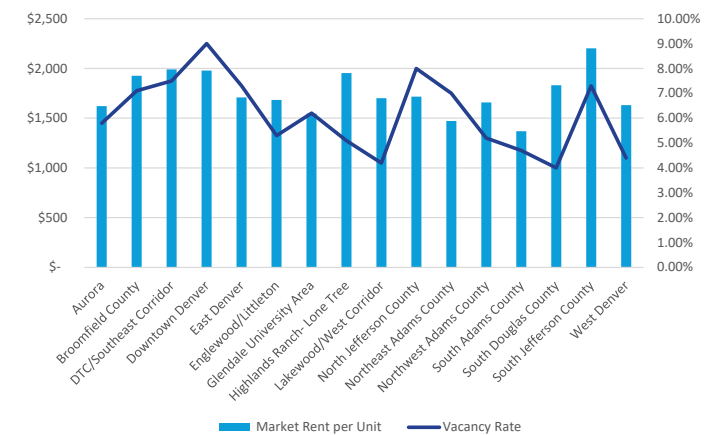
Source: CoStar

Market Vacancy and Average Market Rents



Source: CoStar

Rent and Vacancy By Submarket



Source: CoStar

## Lease Rates

The highly competitive housing market in the Mile High City has impacted the renting market, with rents reaching \$1,743 a unit to close out the quarter, representing a 12.7% YOY rent growth. As owning a home becomes significantly more costly, would-be home buyers are forced to rent, increasing the amount of people in need of an apartment. South Jefferson County had the highest market rent per unit at \$2,203, while South Adams County saw the lowest rent at \$1,368 a unit. The Highlands Ranch-Lone Tree submarket attained the largest YOY rent growth of 16.5% jumping from \$1,880 to \$1,954. All but one submarket recorded YOY rent growth over 10%, accentuating that all neighborhoods are contributing to the rental growth the city is experiencing. With no signs that demand is slowing, rental rates will continue to rise heading into Q2.

## Forecast

The Denver multifamily market is headed into the second quarter with strong tailwinds as the extremely competitive residential market opens the doors for a successful rental market. With this influx in renter demand, landlords are able to raise rents without worry of increasing vacancy. However, many investors wonder if this momentum will slow as inflation, rising interest rates, and supply chain issues might be a roadblock in achieving the same success as 2021. The rising interest rates were expected and shouldn't dramatically reduce the investment activity of the inflation resistant asset class. However, if inflation continues the same path of trajectory, the Fed will impose several more interest hikes that could reduce multifamily investment later in the year. Headwinds may present themselves later on, but for the time being, the multifamily market is full steam ahead going into Q2.

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
<b>Aurora</b>	149	38,992	5.80%	\$1,621	13.60%	156	300	1,322
<b>Broomfield County</b>	37	9,464	7.10%	\$1,927	13.90%	109	-	2,447
<b>DTC/Southeast Corridor</b>	53	13,760	7.50%	\$1,990	14.60%	51	-	972
<b>Downtown Denver</b>	256	44,869	9.00%	\$1,978	10.50%	316	543	8,215
<b>East Denver</b>	76	18,278	7.30%	\$1,709	13.20%	111	-	1,613
<b>Englewood/Littleton</b>	63	10,837	5.30%	\$1,684	14.80%	(13)	-	468
<b>Glendale University Area</b>	105	21,596	6.20%	\$1,545	15.00%	(45)	-	558
<b>Highlands Ranch - Lone Tree</b>	33	10,398	5.10%	\$1,954	16.50%	5	-	665
<b>Lakewood/West Corridor</b>	125	21,843	4.20%	\$1,700	14.30%	73	-	1,062
<b>North Jefferson County</b>	73	12,511	8.00%	\$1,717	11.60%	79	274	1,030
<b>Northeast Adams County</b>	65	13,248	7.00%	\$1,471	10.90%	136	180	736
<b>Northwest Adams County</b>	96	23,849	5.20%	\$1,659	13.90%	56	-	890
<b>South Adams County</b>	25	4,055	4.70%	\$1,368	4.10%	2	-	168
<b>South Douglas County</b>	39	9,829	4.00%	\$1,831	13.30%	6	-	1,288
<b>South Jefferson County</b>	21	5,466	7.30%	\$2,203	12.40%	111	-	138
<b>West Denver</b>	127	19,934	4.40%	\$1,631	10.60%	256	292	1,887
<b>Totals</b>	1,349	279,678	6.40%	\$1,743	12.70%	1,437	1,589	23,627

Source: CoStar

Denver Metro Historical								
<b>2022 Q1</b>	1,349	279,678	6.40%	\$1,743	12.70%	1,437	1,589	23,627
<b>2021 Q4</b>	1,343	278,089	6.40%	\$1,701	12.40%	1,428	3,493	18,062
<b>2021 Q3</b>	1,326	274,596	5.70%	\$1,713	12.60%	2,880	3,368	19,659
<b>2021 Q2</b>	1,309	271,228	5.60%	\$1,674	9.90%	5,208	1,875	21,277
<b>2021 Q1</b>	1,302	269,353	6.90%	\$1,555	2.00%	3,537	1,436	18,874

Source: CoStar



Colorado Springs

Multifamily

22Q1

## Highlights

- Vacancy rates continue to hover around 6%.
- Absorption was healthy this quarter with 140 units absorbed.
- Rental rates finished the quarter at \$1,423; up 11.1% YOY.
- More than 5,500 units are under construction.



### Vacancy Rate (YOY)

Q1 2021: 5.70%  
Q1 2022: 5.80%



### Construction (YOY)

Q1 2021: 3,695  
Q1 2022: 5,546



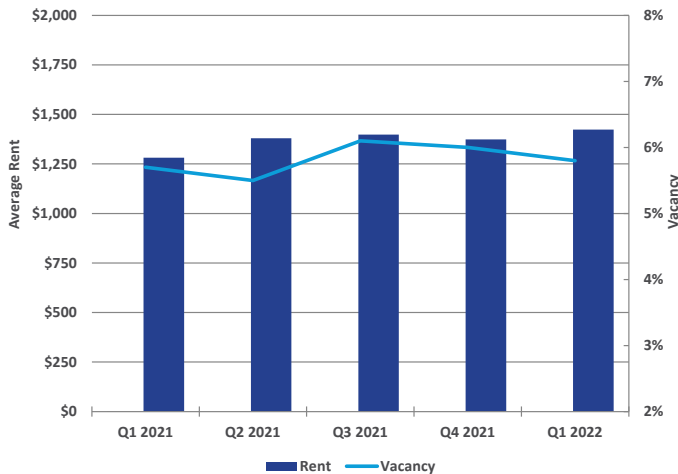
### Average Rent (YOY)

Q1 2021: \$1,281  
Q1 2022: \$1,423



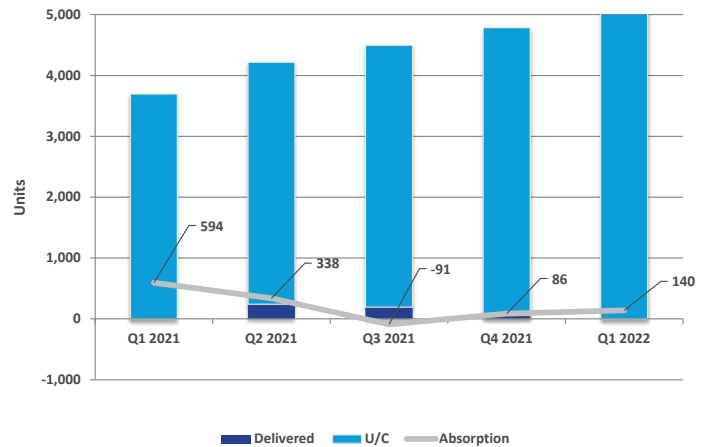
The apartment market in Colorado Springs continues to be desirable for both renters and investors, as the city in the foothills offers relatively low rents, high quality of life and a vibrant economy. Rental rates jumped significantly, growing 3.5% quarter over quarter, reaching \$1,423. Deliveries took a pause this quarter, but developers are confident in the growth of this market with more than 5,500 units on the way. Expect to see a large number of deliveries hit the market in the coming quarters. Vacancy will continue hovering around 6%, a consistent trend seen in the market over the last 12 months. Anticipate the Colorado Springs multifamily market to continue growing alongside the Denver market going forward.

#### 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
Vistas at Jackson Creek	Monument	\$97,000,000	267	\$363,296	Equus Capital Partners, Ltd.
Viridian Edge at the Park*	Colorado Springs	\$83,500,000	280	\$298,214	Birge & Held Asset Management
Western Hills Apartments*	Colorado Springs	\$43,750,000	152	\$287,829	Birge & Held Asset Management
Aviator Apartment Homes	Colorado Springs	\$30,600,000	147	\$208,163	Life Bridge Capital

\*Part of Portfolio Sale  
Source: CoStar



Northern Colorado

Multifamily

22Q1

## Highlights

- Northern Colorado's vacancy jumped 40 basis points to 6.2%.
- Investment activity slowed this quarter.
- Rental rates hover in the \$1,470's to start out the year.
- Construction picks up with 1,360 units on the way.



### Vacancy Rate (YOY)

Q1 2021 7.9%    Q1 2022 6.2%



### Construction (YOY)

Q1 2021 1,512    Q1 2022 1,360



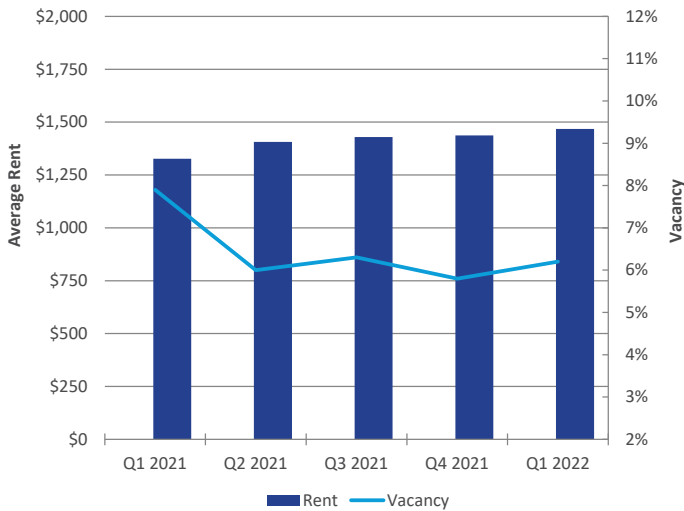
### Average Rent (YOY)

Q1 2021 \$1,327    Q1 2022 \$1,468



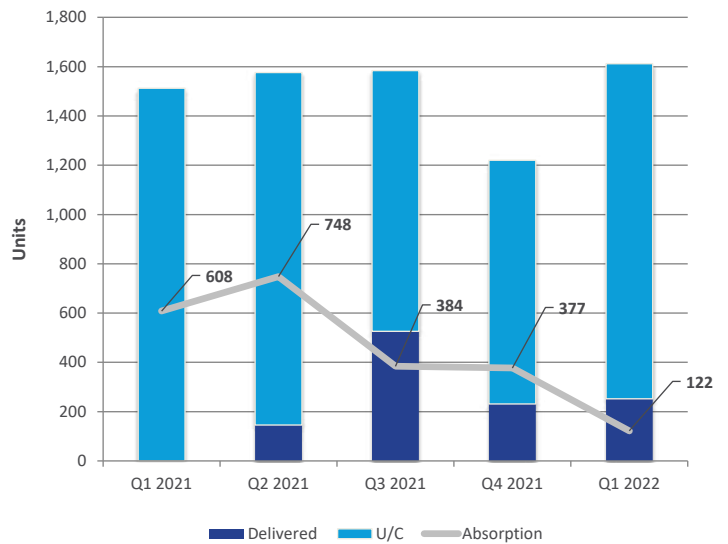
The Northern Colorado multifamily market is driven by the regions expanding job market and coveted lifestyle. Northern Colorado shares a lot of the same attributes as the Denver Metro, but has rental rates about 20% cheaper. And just like Denver, rental rates continue to climb as absorption remains positive for another consecutive quarter. Absorption should rise further into the year, as renters relocate north to escape the higher rents in the Denver area. Investment slowed this quarter, but developers are optimistic about the market by increasing units under construction to 1,360 units. Expect the Northern Colorado multifamily market to continue its path of growth throughout the year.

#### 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
Alpine Prairie Village	Longmont	\$50,000,000	126	\$396,825	Cantamar Apartments Associates
Chestnut Square Apartments	Windsor	\$13,500,000	116	\$116,379	Helios Properties LLC

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

## About Colliers

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 67 countries, our more than 15,000 enterprising professionals work collaboratively to provide expert advice to real estate occupiers, owners and investors. For more than 25 years, our experienced leadership with significant insider ownership has delivered compound annual investment returns of almost 20% for shareholders. With annualized revenues of \$3.0 billion (\$3.3 billion including affiliates) and \$40 billion of assets under management, we maximize the potential of property and accelerate the success of our clients and our people. Learn more at [corporate.colliers.com](http://corporate.colliers.com), Twitter @Colliers or LinkedIn.

## Market Contacts:

### **Craig Stack**

Senior Vice President  
+1 720 833 4602  
[craig.stack@colliers.com](mailto:craig.stack@colliers.com)

### **Bill Morkes**

Senior Vice President  
+1 303 283 4583  
[bill.morkes@colliers.com](mailto:bill.morkes@colliers.com)

### **Keegan Hofer**

Associate Broker  
+1 303 283 4568  
[keegan.hofer@colliers.com](mailto:keegan.hofer@colliers.com)

### **Annalie Ceballos**

Director of Operations  
& Marketing  
+1 720 833 4622  
[annalie.cebillos@colliers.com](mailto:annalie.cebillos@colliers.com)

### **REGIONAL AUTHORS:**

#### **Oliver Stutz**

Research Analyst  
+1 720 833 4638  
[oliver.stutz@colliers.com](mailto:oliver.stutz@colliers.com)

#### **Ford Malmquist**

Research Analyst  
+1 303 283 4561  
[ford.malmquist@colliers.com](mailto:ford.malmquist@colliers.com)

#### **Tim Morris**

Director of Research  
+1 720 833 4630  
[tim.morris@colliers.com](mailto:tim.morris@colliers.com)



This communication has been prepared by Colliers Denver for advertising and/or general information only. Colliers Denver makes no guarantees, representations or warranties of any kind, expressed or implied, regarding the information including, but not limited to, warranties of content, accuracy and reliability. Any interested party should undertake their own inquiries as to the accuracy of the information. Colliers Denver excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss and damages arising there from. This publication is the copyrighted property of Colliers Denver and/or its licensor(s). © 2022. All rights reserved. This communication is not intended to cause or induce breach of an existing listing agreement.