



Colliers

Denver

Multifamily

22Q2



The Denver Multifamily market continued to show strong rental rates and renter demand in the second quarter. Yet again, Denver recorded positive absorption for the 53rd consecutive quarter emphasizing the continued strength and strong demand in the Mile High market.

Accelerating success.

Key Takeaways

- Construction recorded an uptick with over 24,279 units on the way.
- Absorption remains positive for the 53rd consecutive quarter.
- Lease rates climb 6.5% YOY reaching \$1,798 a unit.
- Vacancy rates return to under 6% for the first time since the second quarter of 2021.



Denver Multifamily is Thriving

Due to strong renter demand for apartments in Denver, the multifamily market had yet another positive quarter. The market demonstrated its strength through tightening vacancy numbers and rapid rent growth. This momentum carried through the last 90 days with another impressive quarter in the books. With the surge of migrants coming to Denver, it has forced more competitive rent, reaching \$1,798 average monthly rent compared to last quarter of \$1,764. In order to meet the demand for new renters, multifamily developments have ramped up construction to more than 24,279 units. On top of that, Denver delivered 2,202 units during the second quarter with a small change in vacancy rate, which now dipped below 6% for the first time in 3 quarters. Absorption is on a steady climb this quarter at 3,308 units, a strong increase over the 1,649 units absorbed during the first quarter, and there are no signs of slowing. Investors are attracted to these beneficial metrics in the Denver market as the second quarter alone recorded 30 transactions generating \$1.7 billion in sales volume. Deliveries also look to continue to ramp up as the market rides another positive quarter and looks to have a strong second half for Denver multifamily.

Market Indicators



3.10%
Denver Unemployment Rate



2.49%
Labor Force % Change YOY

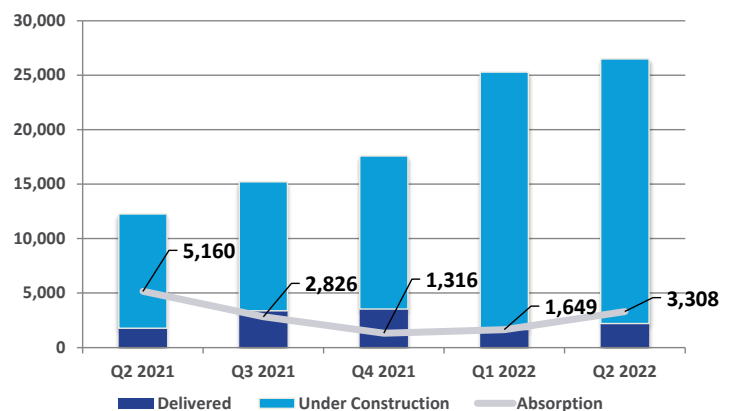
Historic Comparison

| | 2022 Q2 | 2022 Q1 | 2021 Q2 |
|---|---------|---------|---------|
| Total Inventory (Existing Units) | 281,971 | 279,764 | 271,204 |
| Units Delivered | 2,202 | 1,649 | 1,776 |
| Units Absorbed | 3,308 | 1,915 | 5,167 |
| Occupancy | 94.2% | 93.7% | 94.4% |
| Under Construction | 24,279 | 21,092 | 10,477 |
| Average Monthly Rent | \$1,798 | \$1,764 | \$1,680 |

Source: CoStar

Market Graph

Units Absorbed vs. Delivered & Under Construction

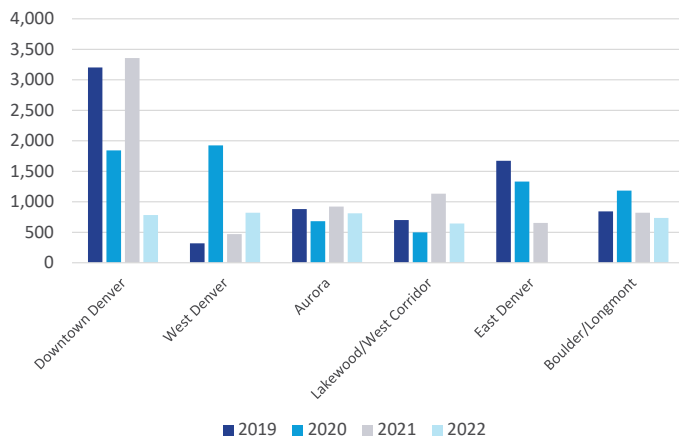


Source: CoStar

Construction

During the second quarter, multifamily construction in Denver delivered eleven buildings totaling 2,202 units, indicating a 25% increase over the first quarter. The largest delivery was the Canyons, a 325-unit low rise apartment building located in the South Douglas County Submarket. Construction numbers are continuing to surge around the metro, as 24,279 units were under construction at quarter's close. Many of the properties are located in the Downtown Denver submarket cluster, highlighted by Five Points, Lincoln Park, and RiNo specifically. As construction continues to increase quarter-over-quarter, expect deliveries to continue to rise as well throughout the rest of 2022.

Submarket Unit Completions by Year

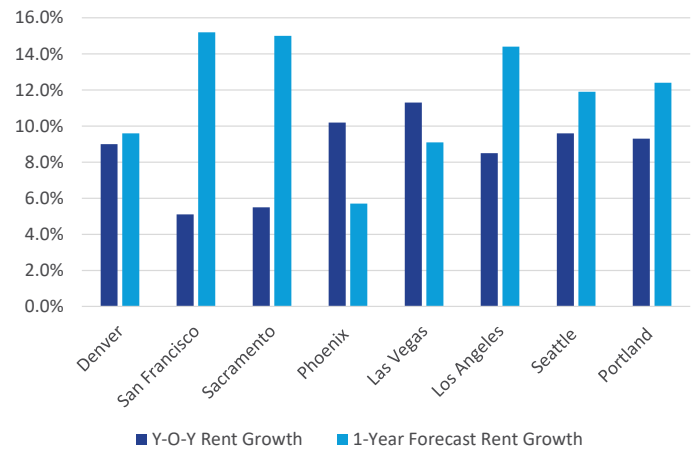


Source: CoStar

Investment Activity

Investment activity in multifamily continues to boom around the metro area. During the second quarter there were 30 transactions in the Denver multifamily market generating over \$1.7 Billion in sales volume. This is an increase of around 31% from the first quarter. The average price per unit fell slightly from the previous quarter by about 10% from the previous quarter. The largest transaction that occurred during the second quarter was the 1,023-unit property located in Denver named Ivy Crossing Apartment Homes. It sold for \$218,000,000 with a price per unit of \$213,099. Due to consistent renter demand, expect investment activity to remain high over the rest of 2022.

YOY Rent Growth vs. 1-Year Forecast Rent Growth



Source: CoStar

Sales Activity

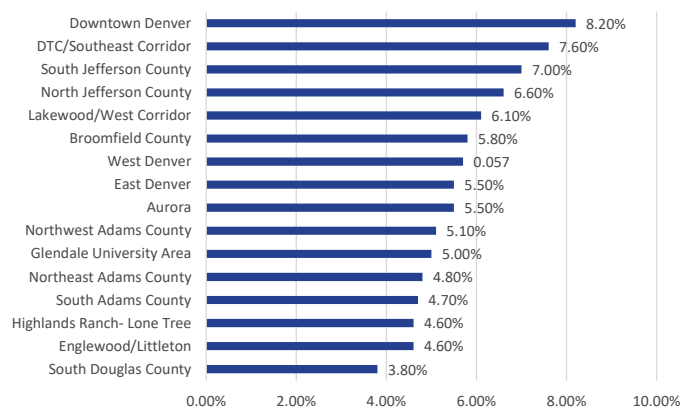
| PROPERTY | CITY | SALE PRICE | # OF UNITS | Price Per Unit | Buyer |
|----------------------------|-------------|---------------|------------|----------------|---|
| Arcadia Apartment Homes | Centennial | \$125,758,953 | 300 | \$419,197 | Blackstone Real Estate Income Trust, Inc. |
| Edge 26 | Wheat Ridge | \$110,000,000 | 402 | \$273,632 | Trion Properties |
| Greenwood Plaza Apartments | Centennial | \$106,700,000 | 266 | \$401,128 | Pacific Urban Investors, LLC |
| Highline at Cherry Creek | Denver | \$100,000,000 | 216 | \$462,963 | Aukum Group |

Source: CoStar

Vacancy

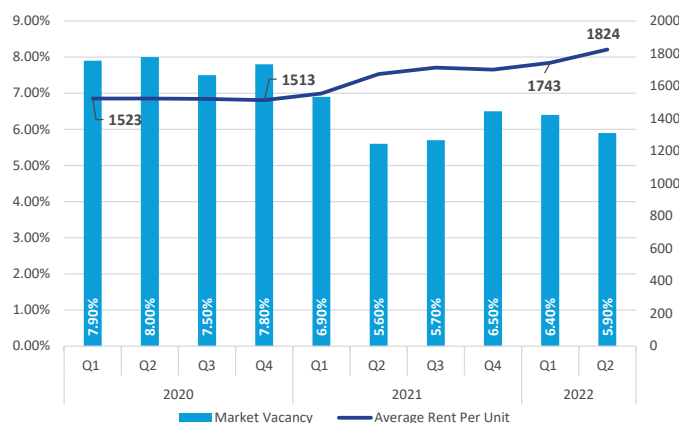
Vacancy rates shifted slightly in the second quarter, recording a slight decrease at 5.9% from 6.4%. Unlike 2020 where vacancy rates hovered around 7.5-8.0%, over the last six quarters, vacancy rates have not exceeded 6.9%. This is a great sign for landlords because vacancy rates have not been this low since 2015. When breaking down the submarkets inside of the Denver multifamily market, Downtown Denver had the highest vacancy rate of 8.2%, while the South Douglas County submarket recorded a low of 3.8%. 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

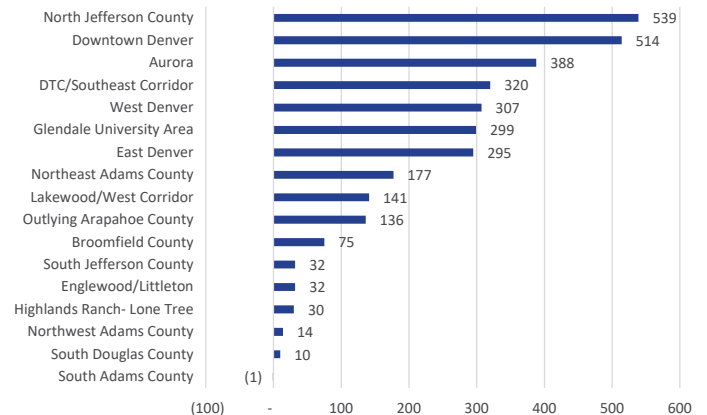


Source: CoStar

Absorption

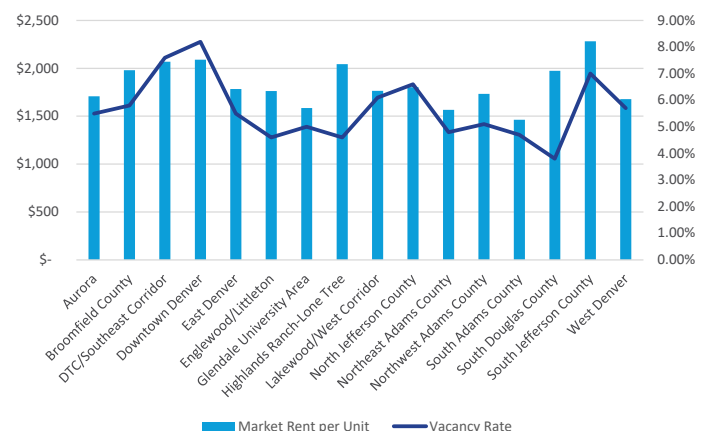
Absorption is a great way to determine the competitiveness of the Denver market. As expected, the second quarter marked yet another quarter for positive absorption. This quarter marks the 53rd consecutive quarter with positive absorption. North Jefferson County had the highest absorption at 539 units while South Adams County was the only submarket to post negative absorption at -1 units. There are no indicators that show any sign that the Denver multifamily market will slow down and show negative absorption in the foreseeable future. Expect positive absorption throughout 2022 and further as renter demand is still growing in the Denver market.

Net Absorption Current Qtr. Units



Source: CoStar

Rent and Vacancy By Submarket



Source: CoStar

Lease Rates

As already discussed, the Denver multifamily market is highly competitive, which has caused a rise in market rent per unit. The market rent at the end of the second quarter has increased to \$1,798 per unit, a 6.5% increase year-over-year. South Jefferson County had the highest market rent at \$2,282, while South Adams County saw the lowest rent at \$1,462 per unit. The Englewood/Littleton submarket had the largest year-over-year rent growth jumping from \$1,763 to \$1,952 which was a 10.7% increase. All submarkets had positive year-over-year growth, emphasizing that all neighborhoods are contributing to the growth of the city, with no indications of slowing down.

Forecast

The Denver multifamily market continues to accelerate as Denver's population swells. Due to the renter demand, landlords are able to raise rents without much worry of vacancy rates increasing in this highly competitive market. There is some concern for the investment market as rising interest rates and inflation could slow recent momentum. However, we forecast growth in market asking rent per unit, and absorption, although there may be some upward adjustment in cap rates. Investors continue to aggressively pursue Denver multifamily product however, and we can expect strong momentum to carry through the end of the year.

| 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 | 151 | 39,225 | 5.5% | \$1,707 | 10.50% | 388 | 209 | 1,518 |
| Broomfield County | 37 | 9,464 | 5.8% | \$1,981 | 8.20% | 75 | - | 1,055 |
| DTC/Southeast Corridor | 55 | 14,106 | 7.6% | \$2,070 | 9.50% | 320 | 418 | 792 |
| Downtown Denver | 256 | 44,626 | 8.2% | \$2,091 | 7.30% | 514 | - | 9,196 |
| East Denver | 77 | 18,458 | 5.5% | \$1,783 | 9.30% | 295 | - | 2,812 |
| Englewood/Littleton | 64 | 10,888 | 4.6% | \$1,763 | 10.70% | 32 | - | 582 |
| Glendale University Area | 106 | 21,726 | 5.0% | \$1,586 | 10.40% | 299 | - | 845 |
| Highlands Ranch-Lone Tree | 33 | 10,398 | 4.6% | \$2,044 | 9.40% | 30 | - | 665 |
| Lakewood/West Corridor | 127 | 22,338 | 6.1% | \$1,765 | 9.90% | 141 | 646 | 850 |
| North Jefferson County | 75 | 12,977 | 6.6% | \$1,803 | 9.10% | 539 | 466 | 834 |
| Northeast Adams County | 65 | 13,248 | 4.8% | \$1,566 | 8.50% | 177 | - | 501 |
| Northwest Adams County | 96 | 23,849 | 5.1% | \$1,733 | 9.70% | 14 | - | 890 |
| South Adams County | 25 | 4,054 | 4.7% | \$1,462 | 4.20% | (1) | - | 506 |
| South Douglas County | 39 | 9,829 | 3.8% | \$1,973 | 10.60% | 10 | - | 1,613 |
| South Jefferson County | 21 | 5,466 | 7.0% | \$2,282 | 8.50% | 32 | - | - |
| West Denver | 132 | 19,934 | 5.7% | \$1,678 | 5.90% | 307 | 468 | 1,518 |
| Totals | 1,365 | 281,341 | 5.9% | \$1,798 | 7.52% | 3,308 | 2,207 | 24,279 |

Source: CoStar

| Denver Metro Historical | | | | | | | | |
|-------------------------|-------|---------|------|---------|--------|-------|-------|--------|
| 2022 Q2 | 1,365 | 281,341 | 5.9% | \$1,798 | 7.52% | 3,308 | 2,207 | 24,279 |
| 2022 Q1 | 1,354 | 279,764 | 6.4% | \$1,764 | 12.70% | 1,781 | 1,649 | 24,069 |
| 2021 Q4 | 1,347 | 278,115 | 6.5% | \$1,709 | 12.40% | 1,316 | 3,543 | 18,667 |
| 2021 Q3 | 1,330 | 274,572 | 5.7% | \$1,720 | 12.60% | 1,826 | 3,368 | 20,013 |
| 2021 Q2 | 1,313 | 271,204 | 5.6% | \$1,681 | 9.90% | 1,560 | 1,776 | 21,768 |

Source: CoStar

Highlights

- Vacancy rates increased to 6.6%.
- Absorption was healthy this quarter with 223 units absorbed.
- Rental rates finished the quarter at \$1,481; up 7% YOY.
- Nearly 5,900 units are under construction.



Vacancy Rate (YOY)

Q2 2021 4.8% Q2 2022 6.6%



Construction (YOY)

Q2 2021 4,184 Q2 2022 5,851



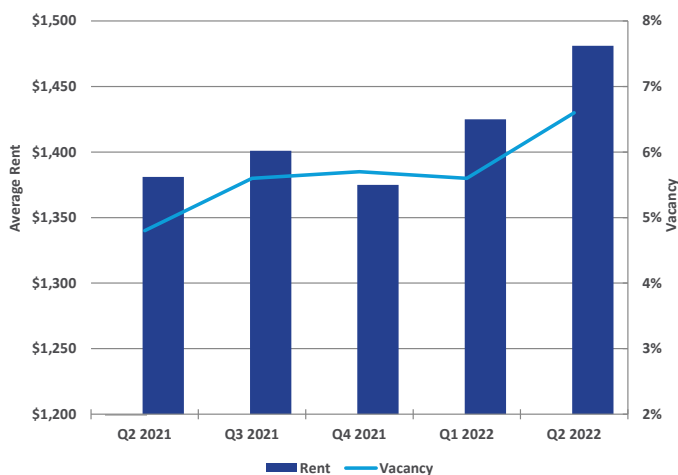
Average Rent (YOY)

Q2 2021 \$1,381 Q2 2022 \$1,481



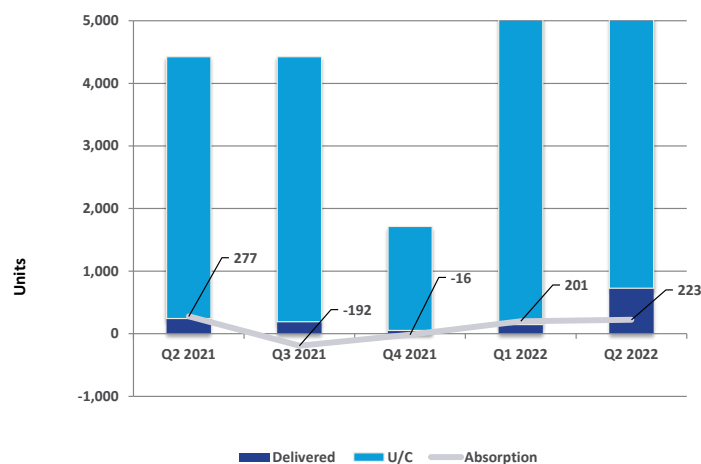
The Colorado Springs market continues to offer a vibrant economy and a high quality of life. Rental rates soared 7.3% to \$1,481. With the market still growing, there were 727 deliveries this quarter with 5,791 units under construction which is significantly more than the previous quarter. Expect to see market asking rent and occupancy levels continue to grow over the remainder of 2022.

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 Residence at Austin Bluffs | Colorado Springs | \$58,000,000 | 312 | \$185,897 | Golden Bear Equities LLC |
| Pines at Broadmoor Bluffs | Colorado Springs | \$49,000,000 | 108 | \$453,704 | Benefict Canyon Equities Inc. |
| Villages at Woodmen | Colorado Springs | \$37,750,000 | 183 | \$206,284 | Golden Bear Equities LLC |
| Wind River | Colorado Springs | \$22,250,000 | 120 | \$185,417 | Life Bridge Capital |

Source: CoStar



Northern Colorado

Multifamily
22Q2

Highlights

- Northern Colorado's vacancy increased to 6.4%.
- Investment activity starting to rebound back closer to 2021 numbers.
- Rental rates have reached rates an all time high of \$1,542.
- Construction picks up with 1,495 units on the way.



Vacancy Rate (YOY)

Q2 2021 5.9% Q2 2022 6.4%



Construction (YOY)

Q2 2021 415 Q2 2022 1,495



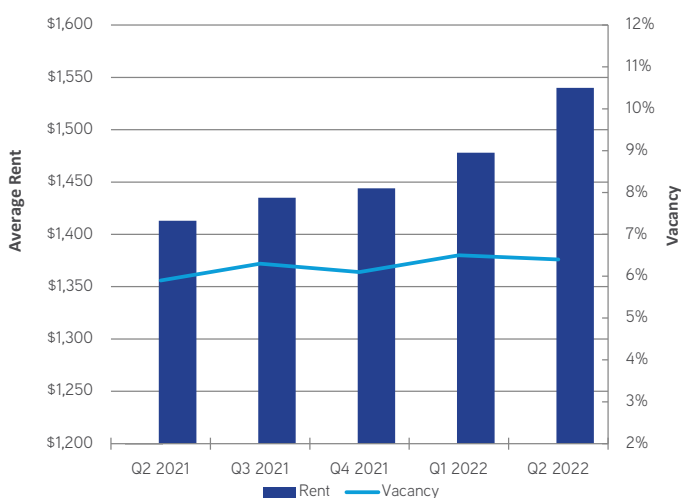
Average Rent (YOY)

Q2 2021 \$1,413 Q2 2022 \$1,542



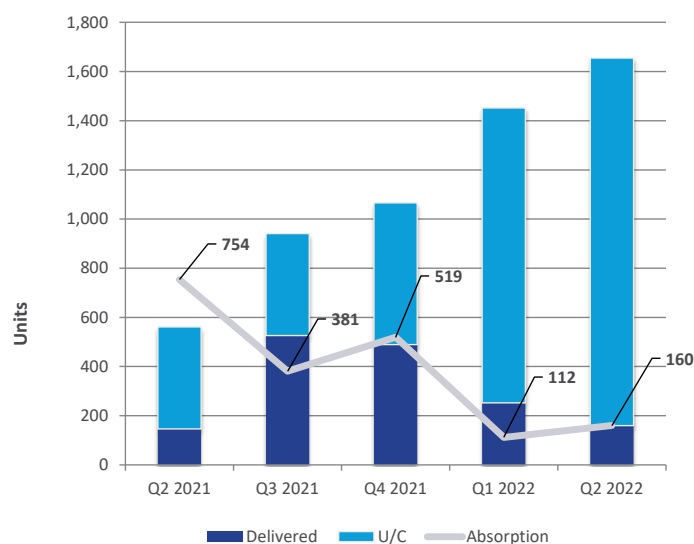
The Northern Colorado multifamily market has an expanding job market which translates to increased rental rates and positive absorption rates, similar to Denver's multifamily market. Expect absorption to continue to stay positive through the next quarter along with increased renter demand as many renters pursue the northern market to escape the rising prices of the Denver market. There is a lot of optimism in the Northern Colorado market as indicated by the increased units under construction; just under 1,500 units. This ensures a continued path of growth for the Northern Colorado 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 |
|-----------------------------|--------------|--------------|------------|----------------|-----------------------------------|
| Sterling Heights Apartments | Greeley | \$44,800,000 | 190 | \$235,789 | Oak Coast Properties |
| The Social Fort Collins* | Fort Collins | \$25.5MM | 68 | \$375,000 | Denver-based Private Equity Group |
| Bonell | Greeley | \$23.5MM | 295 | \$79,661 | Warm Springs Realty Holdings LLC |

* Sold by Colliers

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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