



Colliers

Denver

Multifamily

23Q2

The multifamily market in the Denver Metro region exhibited remarkable fortitude and delivered an impressive performance in the second quarter of 2023. Fueled by a surge in construction activity and a strong expansion in rental rates, this outstanding performance propelled Denver to surpass yet another significant milestone of achieving 57 consecutive quarters with positive absorption. This noteworthy accomplishment showcases the market's unwavering resilience and its consistent ability to meet the needs of both tenants and investors.

Accelerating success.



Denver Multifamily 23Q2

Key Takeaways

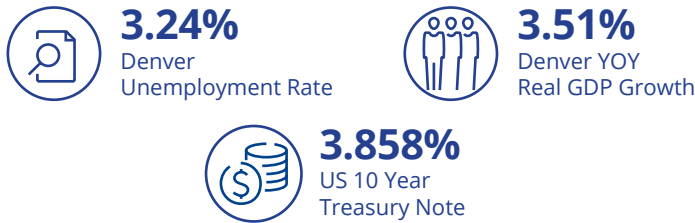
- Construction sees an uptick with 36,974 units on the way.
- Absorption remains positive for the 57th consecutive quarter.
- Lease rates increased by 1.5% QoQ reaching \$1,835 a unit.
- Vacancy rates decreased slightly by 30 basis points from the first quarter.



Resilient and Promising Denver Metro Multifamily Market

Despite a decrease in sales volume compared to the previous quarter, the multifamily market in the Denver Metro area continues to exhibit impressive resilience and remains on a positive trajectory. This resilience is evident from the continued expansion in units under construction, which reached an impressive total of 36,974 by the end of the quarter. The absorption rate of units experienced a modest decline, decreasing from 2,351 to 1,936. This can be attributed to the elevated average monthly rent in Denver, which now stands at \$1,835, up from the previous quarter's \$1,807. The elevated rental prices may have contributed to a slower absorption rate as tenants take additional time to find suitable units. Nonetheless, the decline in vacancy rates to 5.5% is an encouraging sign for landlords. A lower vacancy rate indicates a robust demand for rental units and fewer instances of vacant properties, which bodes well for property owners in the market. Looking ahead to the remainder of 2023, the outlook for the Denver Metro multifamily market remains optimistic. Forecasts predict sustained increases in positive absorption and asking lease rates. These projections indicate a continued strengthening of the market, presenting favorable prospects for both investors and property owners.

Market Indicators

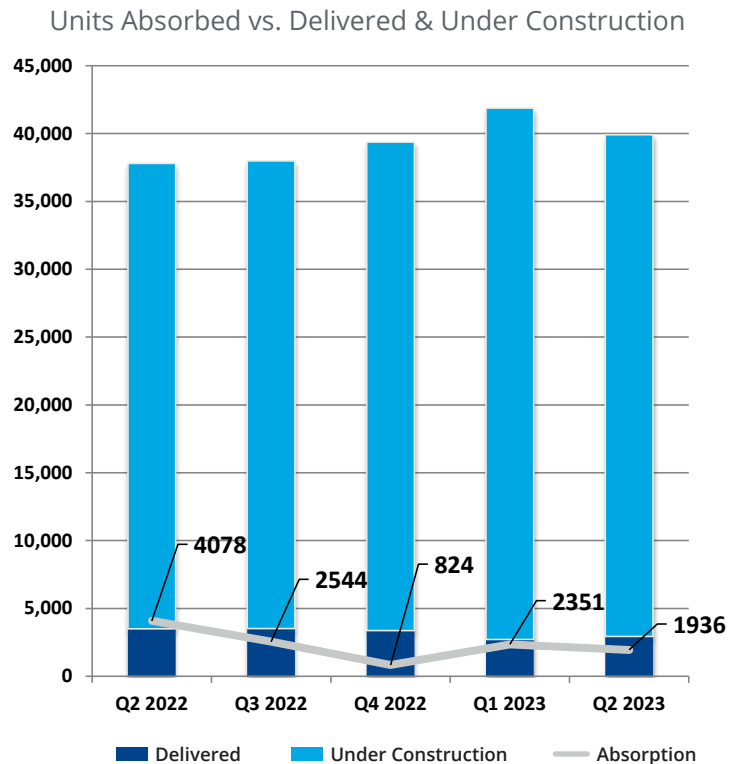


Historic Comparison

	2023 Q2	2023 Q1	2022 Q2
Total Inventory (Existing Units)	298,179	295,241	285,646
Units Delivered	2,938	2,711	3,495
Units Absorbed	1,936	2,351	4,078
Occupancy	94.50%	94.20%	94.10%
Under Construction	36,974	39,158	34,299
Average Monthly Rent	\$1,835	\$1,807	\$1,826

Source: CoStar

Market Graph

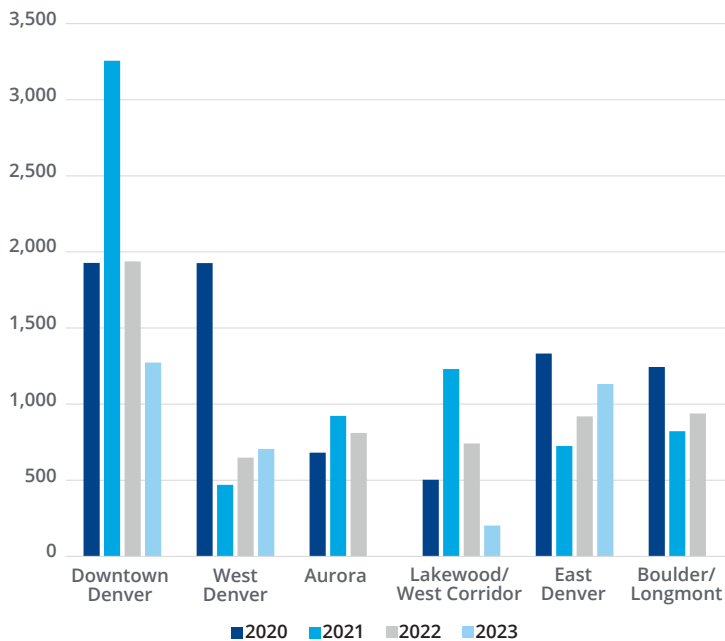


Source: CoStar

Construction

During the second quarter of 2023, Denver’s multifamily market witnessed significant growth. Thirteen buildings, comprising a total of 2,939 units, were completed, marking a notable 33% increase compared to the previous quarter. The largest completed project was the NOVEL RiNo, an apartment complex in Denver consisting of 483 units. The construction of multifamily properties throughout the metro area has been on the rise, with 36,974 units under construction at the end of the quarter. This trend is particularly noticeable in the Downtown Denver submarket cluster, specifically in Five Points, Lincoln Park, and RiNo. As construction activity continues to increase, the number of property deliveries is expected to rise in the second half of 2023.

Submarket Unit Completions by Year

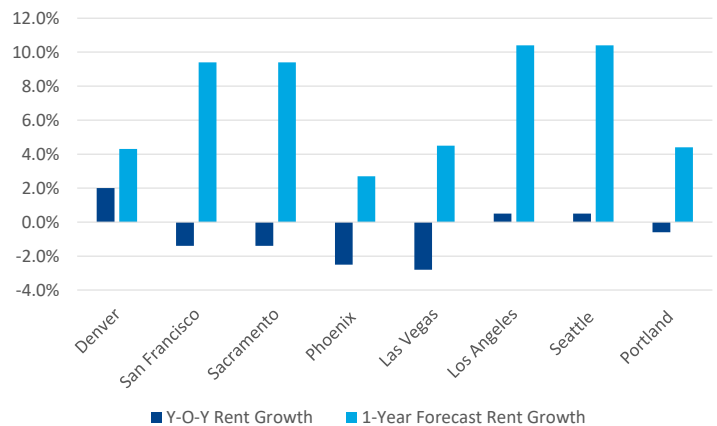


Source: CoStar

Investment Activity

During the second quarter of 2023, the multifamily market in the Denver Metro experienced a notable slowdown. The total number of transactions amounted to ten, generating \$316.5M in sales. This represents a significant decline of 34.6% compared to the previous quarter. Similarly, the average price per unit saw a substantial drop of 22.2% from the preceding quarter, settling at \$264,859. Amidst this deceleration, it is worth highlighting the standout transaction of the quarter: the sale of the Broadstone Wren property. This 250-unit apartment complex commanded a remarkable price of \$90,500,000, reflecting an average unit price of \$362,000. Looking ahead, the multifamily market holds promise as construction activity in the Denver metro area gains momentum. The acceleration of construction efforts is essential for moderating housing prices and creating a more balanced market environment. Investors and stakeholders can look ahead to a revitalized multifamily sector, brimming with new opportunities, as construction continues to expand and shape the future of the market.

YOY Rent Growth vs. 1-Year Forecast Rent Growth



Source: CoStar

Sales Activity

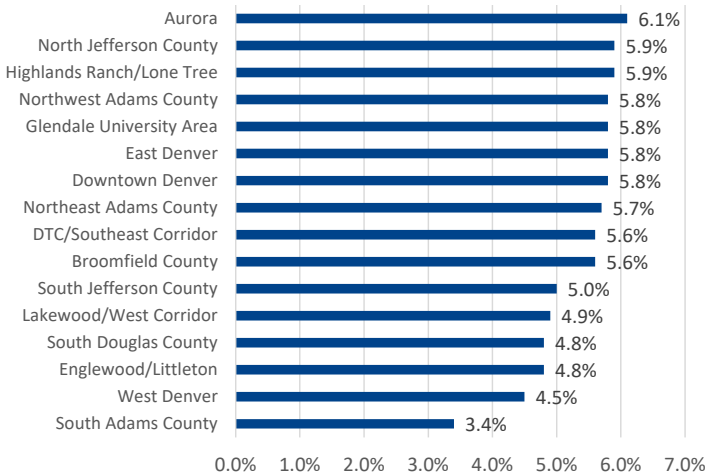
PROPERTY	CITY	SALE PRICE	# OF UNITS	PRICE PER UNIT	BUYER
8521 Kings Point Way	Parker	\$90,500,000	250	\$297.55	Ladera Capital Partners
3715 Bilberry St	Castle Rock	\$67,150,000	204	\$321.65	MG Properties
10756 E Virginia Ave	Aurora	\$41,400,018	198	\$262.13	Trion Properties
8805 E 12th Ave	Denver	\$13,325,000	83	\$236.42	Margarita S Mart
9140 W Coal Mine Ave	Littleton	\$13,095,600	156	\$189.52	Westhill Management

Source: CoStar

Vacancy

Throughout the second quarter, vacancy rates in Metro Denver have demonstrated consistency in line with previous quarters. Notably, at 5.5%, this quarter's vacancy rate represents the lowest observed since the third quarter of 2021. This positive trend brings good news for landlords, as vacancy rates have decreased by 30 basis points this quarter. Concurrently, the average market rent remains robust, hovering above \$1,800 /SF FSG. Upon examining the Denver market, Aurora County emerges with the highest vacancy rate among its peers at 6.1%, suggesting a relatively greater availability of rental properties. In contrast, South Adams County showcases the lowest vacancy rate at 3.4%, indicative of a higher level of demand and a more competitive rental market. As we look ahead, it is reasonable to anticipate vacancy rates to maintain stability, hovering around the 6% mark, driven by a simultaneous increase in construction activities aligned with heightened demand from renters.

Vacancy by Submarket

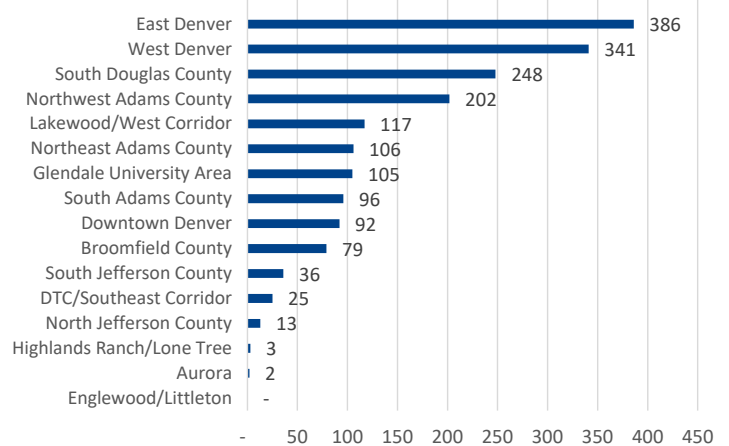


Source: CoStar

Absorption

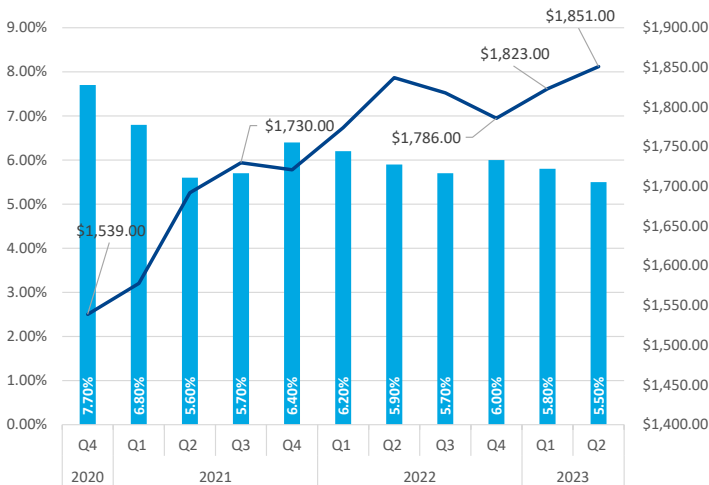
Absorption rates provide valuable insights into the competitiveness of the Denver multifamily market, and the second quarter showcased encouraging trends, despite a slight dip compared to the previous quarter, positive absorption was sustained for an impressive 57th consecutive quarter. It is noteworthy that East Denver boasted the highest absorption rate, with 386 units absorbed, while Englewood/Littleton County reported the lowest absorption rate of 0 units. Notably, no counties experienced negative absorption this quarter. Despite speculations of a potential slowdown in the Denver market, the absence of negative absorption in the second quarter reassures a positive trajectory for the foreseeable future. This is an encouraging sign as it indicates a stable demand for multifamily units and demonstrates market resilience along with the potential for sustained growth. As a result, the Denver market is poised to maintain its positive absorption trend, driving the multifamily sector with confidence as we progress through 2023.

Net Absorption Current Qtr. Units



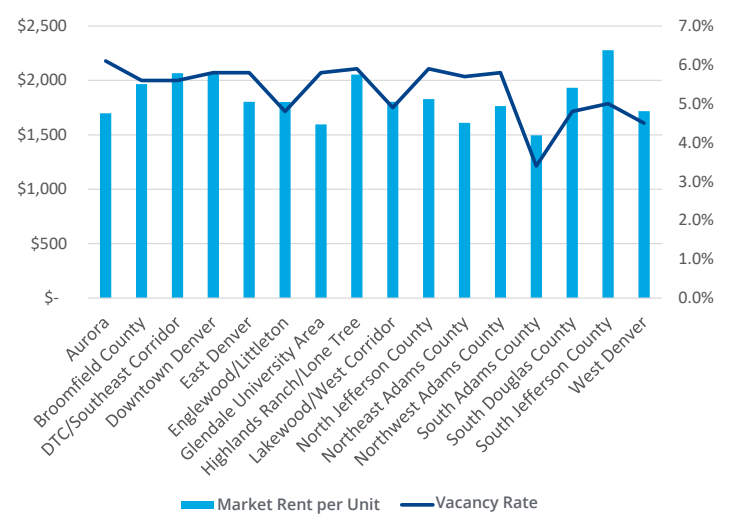
Source: CoStar

Market Vacancy and Average Market Rents



Source: CoStar

Rent and Vacancy By Submarket



Source: CoStar

Lease Rates

In the highly competitive Denver market, the average rental price per unit closed at an impressive \$1,835 this quarter. This represents a notable 2.5% upswing over the course of the year and a 1.5% increase compared to the previous quarter. Submarkets within the area displayed a diverse range of rental rates, with the South Jefferson County submarket commanding the highest rate at an impressive \$2,278, while the South Adams submarket recorded the lowest at \$1,495. The rent growth observed in the South Adams County submarket is especially noteworthy, with a significant surge of 2.1% from \$1,464 to \$1,495 over the past year. This substantial increase exemplifies the dynamic nature of the Denver Metro real estate landscape. It highlights the collective efforts of all neighborhoods in contributing to the growth and development of the rental market.

Forecast

The multifamily market in Denver is currently witnessing a notable upswing, driven by the city's rapidly expanding population. This growth has led to a marginal decrease in vacancy rates, allowing landlords to command higher rental rates and maintain occupancy levels above 90%. However, there is a degree of apprehension within the investment market due to the potential impact of rising interest rates and inflation, which could potentially slow down the market's recent progress. Nevertheless, there are promising projections for the Denver market. Market analysis suggests an increase in market asking rents, absorption rates, and construction activities, despite the adjustment in cap rates. This indicates a resilient market that is poised for further growth. The city's attractiveness to residents and its continued economic development contribute to the positive outlook for the multifamily market. Looking ahead to the second quarter of 2023, Denver is expected to maintain its growth trajectory, offering opportunities for investors and demonstrating its robustness amidst potential challenges in the broader investment landscape.

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	39,611	6.1%	\$1,697	0.00%	2	-	3,901
Broomfield County	42	10,525	5.6%	\$1,967	-0.10%	79	601	1,088
DTC/Southeast Corridor	55	14,107	5.6%	\$2,066	1.00%	25	-	1,533
Downtown Denver	266	47,198	5.8%	\$2,076	-0.80%	92	721	9,624
East Denver	88	20,457	5.8%	\$1,804	1.40%	386	936	3,057
Englewood/Littleton	66	11,203	4.8%	\$1,801	2.50%	81	-	1,801
Glendale University Area	111	22,711	5.8%	\$1,595	-0.20%	105	-	391
Highlands Ranch/Lone Tree	37	11,120	5.9%	\$2,054	1.30%	3	-	2,249
Lakewood/West Corridor	133	23,006	4.9%	\$1,804	1.60%	117	202	1,939
North Jefferson County	76	13,041	5.9%	\$1,829	1.80%	13	-	2,106
Northeast Adams County	75	14,846	5.7%	\$1,611	1.20%	106	-	982
Northwest Adams County	101	24,999	5.8%	\$1,764	1.70%	202	-	919
South Adams County	29	4,696	3.4%	\$1,495	2.10%	96	-	1,066
South Douglas County	58	13,952	4.8%	\$1,932	-2.20%	248	214	2,760
South Jefferson County	21	5,470	5.0%	\$2,278	0.70%	36	-	280
West Denver	134	21,060	4.5%	\$1,718	1.80%	341	264	3,278
Totals	1,453	299,013	5.5%	\$1,835	2.51%	1,936	2,938	36,974

Source: CoStar

Denver Metro Historical								
2023 Q2	1,453	299,013	5.5%	\$1,835	2.51%	1,936	2,938	36,974
2023 Q1	1,437	295,241	5.8%	\$1,807	2.50%	2,351	2,711	39,158
2022 Q4	1,420	292,530	6.0%	\$1,770	3.50%	824	3,370	35,993
2022 Q3	1,404	289,160	5.7%	\$1,805	4.90%	2,544	3,514	34,468
2022 Q2	1,387	285,646	5.9%	\$1,826	8.70%	4,078	3,495	34,299

Source: CoStar



Colorado Springs

Multifamily

23Q2

Highlights

- Vacancy rates remained at 6.7%.
- Absorption was positive this quarter with 676 units absorbed.
- Rental rates finished the quarter at \$1,437.
- 8,722 units are under construction.



Vacancy Rate (YOY)

Q2 2022 5.6% Q2 2023 6.7%



Construction (YOY)

Q2 2022 6,533 Q2 2023 8,722



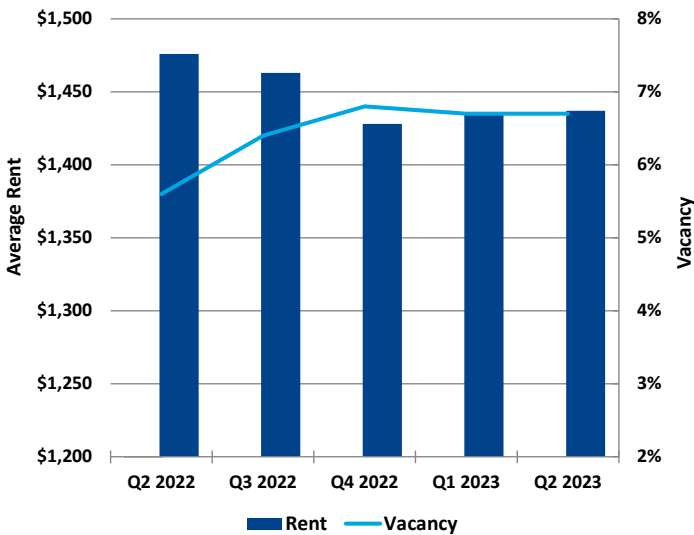
Average Rent (YOY)

Q2 2022 \$1,476 Q2 2023 \$1,437



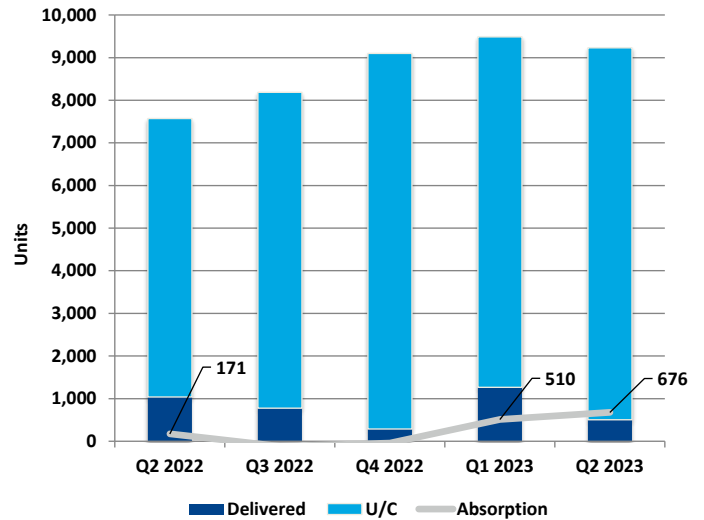
The Colorado Springs market thrives as an emblem of a robust economy and an exceptional quality of life. Throughout the second quarter, rental rates remained stable, averaging at \$1,437 with minimal fluctuations compared to the previous quarter. Noteworthy growth was evident as four developments were completed, adding a total of 506 units to the market. Looking forward to the upcoming quarter, expert forecasts predict an increase in vacancy rates and asking rents. These insights paint an optimistic outlook, indicating continued progress and promising opportunities within the market. Colorado Springs remains an appealing destination, offering a dynamic real estate landscape characterized by growth and potential.

Average Rent & Vacancy Trends



Source: CoStar

Units Absorbed vs. Delivered & Under Construction



Source: CoStar

New Deliveries on the Way...

PROPERTY	ADDRESS	CITY	# OF UNITS	EXPECTED DELIVERY
Jasper at Victory Ridge	10280 Federal Dr.	Colorado Springs	280	August 2023
Outlook Briargate	7940 Brayden Point	Colorado Springs	300	July 2023
Ensely	501 S. Weber St.	Colorado Springs	277	July 2023

Source: CoStar



Northern Colorado

Multifamily 23Q2

Highlights

- Northern Colorado's vacancy decreased to 5.1%.
- Investment activity slowed this quarter.
- Rental rates hit \$1,563 at quarter's close.
- 1,836 units under construction at quarter's close.



Vacancy Rate (YOY)

Q2 2022 5.9%
Q2 2023 5.1%



Construction (YOY)

Q2 2022 3,564
Q2 2023 1,836



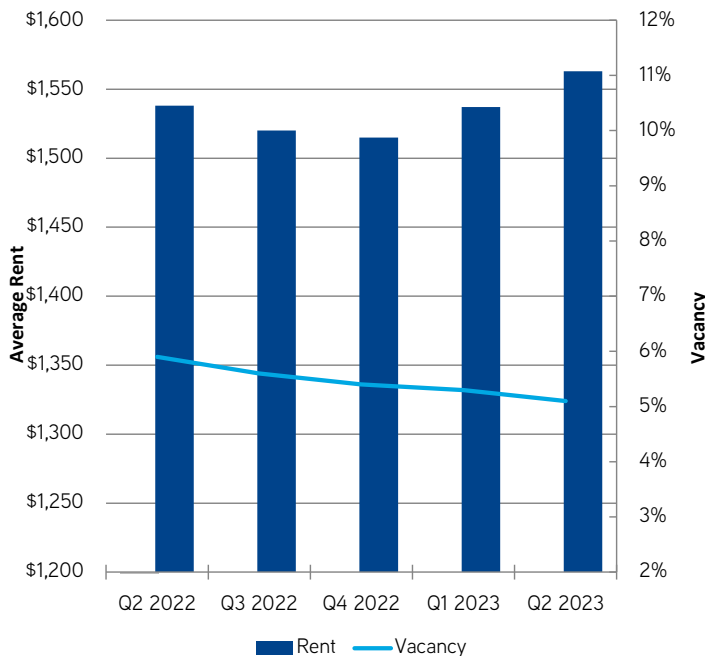
Average Rent (YOY)

Q2 2022 \$1,538
Q2 2023 \$1,563



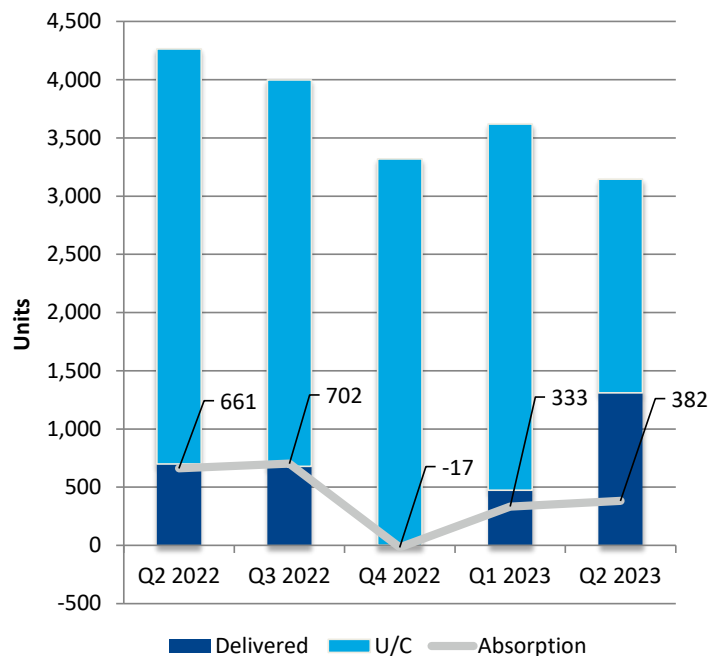
In tandem with the dynamic Denver multifamily market, the Northern Colorado market is experiencing a notable upswing in employment opportunities, leading to increased rental rates and favorable absorption trends. Notably, in the fourth quarter of 2022, the Northern Colorado market encountered its first negative absorption quarter in 45 quarters, signaling a temporary setback. However, the subsequent quarters displayed a strong rebound, including the second quarter, which recorded a positive absorption of 382 units. Although absorption rates are expected to witness a slight decline, the construction sector and asking lease rates are poised for growth. The robust construction activity in Northern Colorado, with nearly 2,000 units currently under development, supports these optimistic trends and underlines the ongoing expansion of the multifamily market in the region.

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 Greens at Van de Water	Loveland	\$75,150,000	252	\$298,214.00	Hamilton Zanze & Company

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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