



Colliers

Denver

Multifamily

23Q3

In the third quarter of 2023, Denver's multifamily market exhibited resilience amid escalating construction costs and fluctuating interest rates. Investment activity witnessed an upswing from Q2, with market fundamentals remaining attractive. The city's market durability is credited to a growing population and ongoing economic development. Looking forward to Q4 2023, Denver's multifamily market remains well poised for sustained growth, presenting an appealing prospect for both investors and tenants.

Accelerating success.



# Denver Multifamily 23Q3

## Key Takeaways

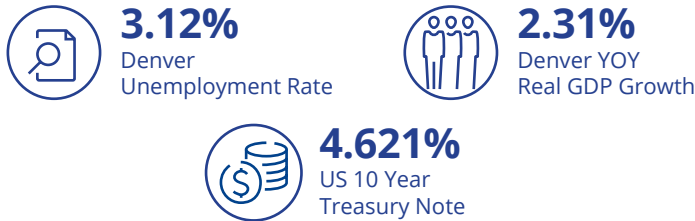
- Construction sees a slight uptick YOY with over 32,847 units on the way.
- Absorption remains positive for the 58th consecutive quarter.
- Lease rates decreased by 0.8% QoQ reaching \$1,833 a unit.
- Vacancy rates decreased slightly by 10 basis points from the second quarter.



## Resilience and Optimism in the Denver Market

The Denver Metro area's multifamily market continues to demonstrate impressive resilience, maintaining a positive trajectory evident in robust market fundamentals. The construction pipeline saw over 3,400 units delivered this quarter, taking a chunk out of the huge construction pipeline within the market in recent years. Despite the largest supply increase in a quarter for 2023, vacancy reached a new low for the year at 5.7%. As we transition into Q4, rental rates have slightly decreased from Q2 but remain on a positive year-over-year trajectory. The outlook for the rest of 2023 remains optimistic, with forecasts indicating increases in absorption and lease rates, signaling a continued strengthening of market fundamentals.

## Market Indicators



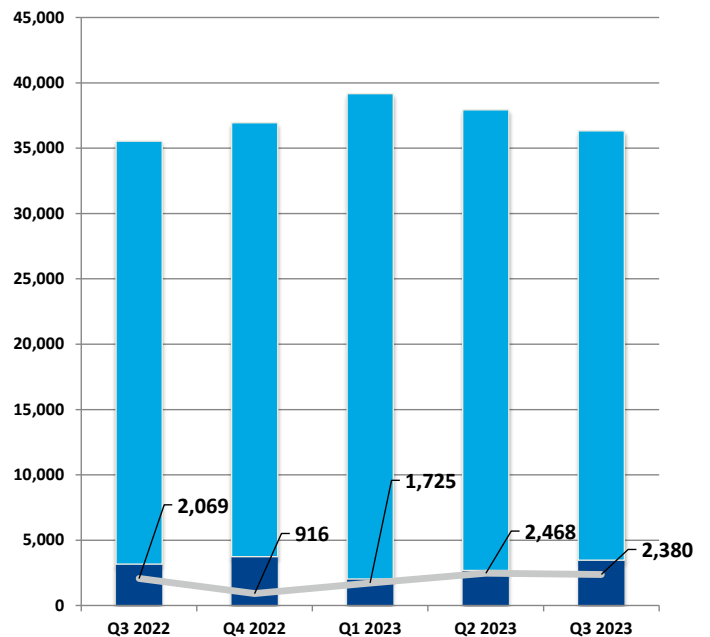
## Historic Comparison

	2023 Q3	2023 Q2	2022 Q3
<b>Total Inventory (Existing Units)</b>	302,245	298,766	290,498
<b>Units Delivered</b>	3,479	2,690	3,167
<b>Units Absorbed</b>	2,380	2,468	2,069
<b>Occupancy</b>	94.30%	94.20%	93.70%
<b>Under Construction</b>	32,847	35,240	32,373
<b>Average Monthly Rent</b>	1,833	1,854	1,822

Source: CoStar

## Market Graph

Units Absorbed vs. Delivered & Under Construction



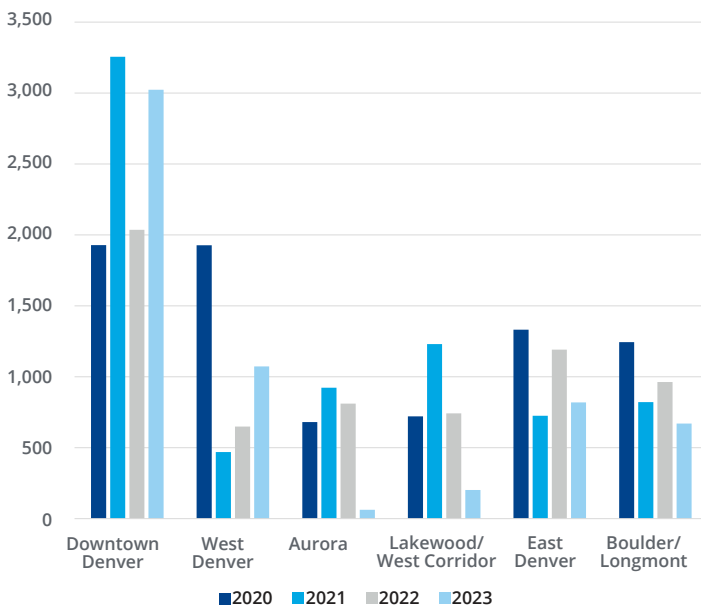
Source: CoStar



## Construction

Q3 2023 witnessed healthy progress in multifamily construction, with 13 new buildings totaling 3,479 units added to the Denver Metro inventory—a notable 29.3% increase from the previous quarter. The largest completed project, The Compass Meridian Apartments, added 448 units. Despite the surge in supply, vacancy remained low at 5.7%. Looking forward, construction is expected to slow due to rising costs and an already substantial pipeline.

Submarket Unit Completions by Year

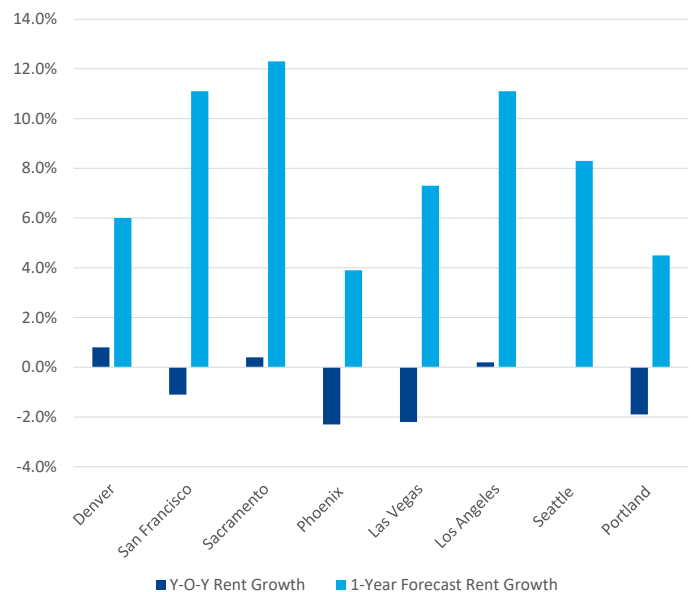


Source: CoStar

## Investment Activity

The Denver metro multifamily market experienced short-term growth in Q3, with thirteen transactions totaling \$912,877,000 — a 190% increase from the previous quarter. The average sale price rose significantly by 79%, settling at \$70,221,308. The standout transaction was the \$225,000,000 sale of The Seasons of Cherry Creek, equating to \$383,305 per unit. While volatile capital markets may pose challenges, an anticipated wave of supply due to upcoming loan maturities may reshape the market.

YOY Rent Growth vs. 1-Year Forecast Rent Growth



Source: CoStar

## Sales Activity

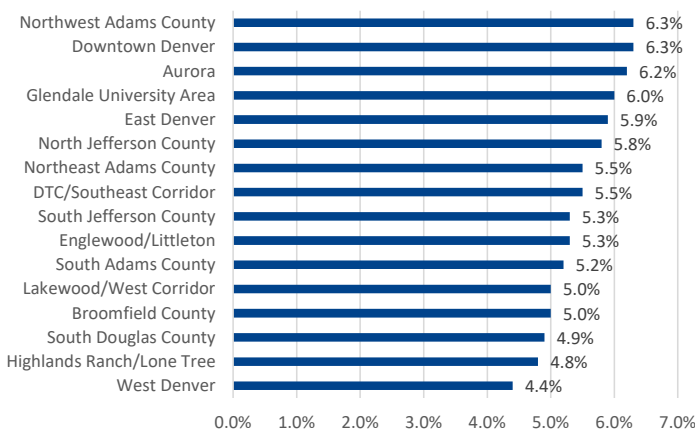
PROPERTY	CITY	SALE PRICE	# OF UNITS	PRICE PER UNIT	BUYER
3498 E. Ellsworth Ave.	Denver	\$225,000,000	587	\$383,305.00	Broe Real Estate Services, Inc.
3299 Brighton Blvd.	Denver	\$182,000,000	417	\$436,451.00	Mill Creek Residential Trust LLC
10200 E. Dry Creek Rd.	Centennial	\$111,100,000	309	\$359,547.00	Mesirow Financial
7901 E. Belleview Ave.	Englewood	\$89,000,000	258	\$344,961.00	Jackson Square Properties
10346 Park Meadows Dr.	Lone Tree	\$80,000,000	232	\$344,828.00	Area Real Estate Income Trust, Inc.

Source: CoStar

## Vacancy

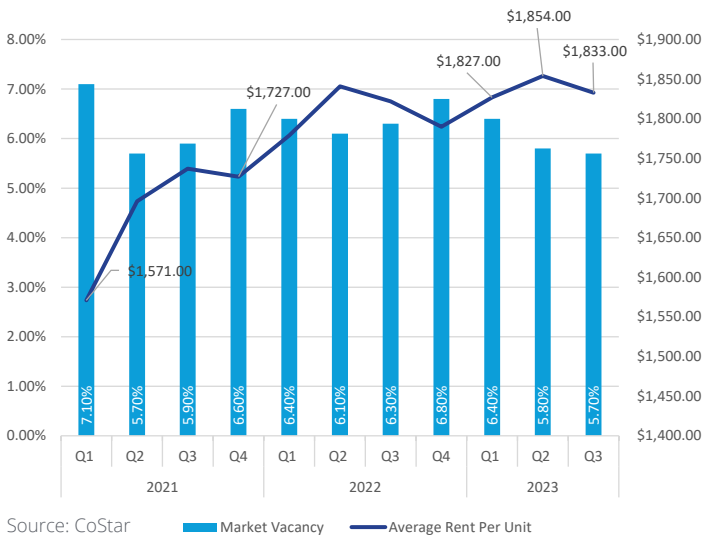
Downtown Denver recorded one of the highest vacancy rates among submarkets at 6.3%, likely driven by deteriorating conditions, pushing renters to the suburbs. West Denver posted the lowest vacancy rates at 4.4%. Despite a substantial increase in pipeline deliveries, the overall Metro vacancy rate remained consistent at 5.7% for Q3, a positive sign that supply is being met by demand for investors. However, as more units are added to the markets inventory, vacancy rates are expected to rise in the near future, while, looking at the long term, these deliveries will start to slow bringing vacancy back down to a more stabilized figure.

Vacancy by Submarket



Source: CoStar

Market Vacancy and Average Market Rents

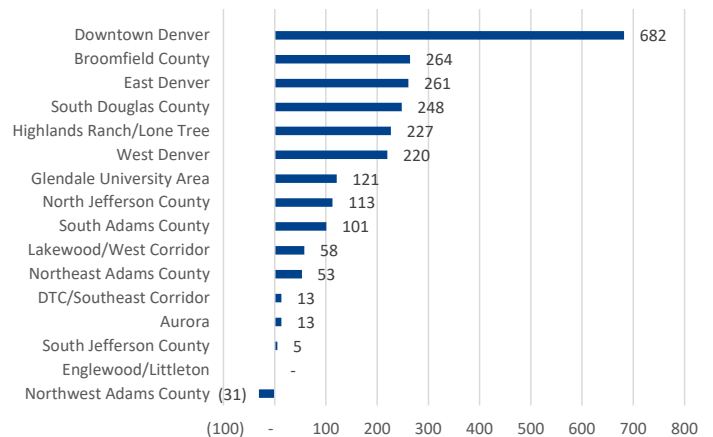


Source: CoStar

## Absorption

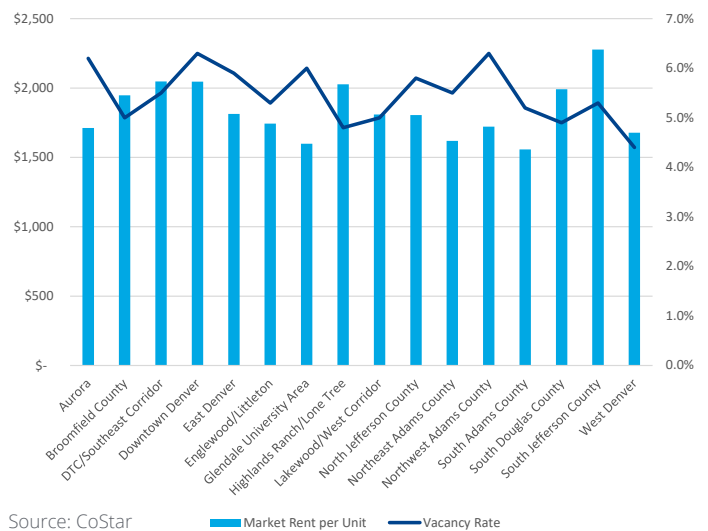
The third quarter sustained positive absorption for the 58th consecutive quarter, revealing encouraging trends. Downtown Denver led with the highest absorption rate, absorbing 682 units, while Northwest Adams County was the only submarket with negative absorption (-31 units). This underscores the demand for multifamily units compared to supply, with a positive absorption trend expected to persist despite an increase in supply.

Net Absorption Current Qtr. Units



Source: CoStar

Rent and Vacancy By Submarket



Source: CoStar

## Lease Rates

In the fiercely competitive Denver market, the average rental price per unit reached \$1,833 this quarter—a modest increase over the year. Rental rates varied among submarkets, with South Jefferson County commanding the highest rate at \$2,278 and Downtown Denver experiencing a year-over-year decrease of -1.2%. The shift in demand outside downtown is evident in areas like South Jefferson County, which recorded the highest year-over-year rent growth at 4.10%.

## Forecast

Metro Denver's dynamic growth, coupled with the in-migration of Millennials, positions it as an attractive hub for companies seeking skilled workers. The influx of new residents opting for rentals, due to the ongoing high cost of buying, sustains the multifamily market, drawing investors from various regions. However, the impending large construction pipeline may temporarily increase vacancy rates. The persistent challenge of high capital costs remains a focal point for investment, but the promising uptick in Q3 suggests a positive trajectory. Sales are expected to remain steady in Q4, gaining momentum in early/mid 2024.

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>	155	39,699	6.2%	\$1,712	1.30%	13	-	3,762
<b>Broomfield County</b>	42	10,574	5.0%	\$1,948	0.90%	264	159	1,237
<b>DTC/Southeast Corridor</b>	55	14,107	5.5%	\$2,047	0.20%	13	-	1,533
<b>Downtown Denver</b>	276	49,346	6.3%	\$2,046	-1.20%	682	1,835	7,669
<b>East Denver</b>	90	20,777	5.9%	\$1,813	1.80%	261	-	2,989
<b>Englewood/Littleton</b>	66	11,224	5.3%	\$1,744	0.90%	29	-	1,801
<b>Glendale University Area</b>	111	22,711	6.0%	\$1,598	0.20%	121	-	542
<b>Highlands Ranch/Lone Tree</b>	38	11,567	4.8%	\$2,027	1.20%	227	448	1,286
<b>Lakewood/West Corridor</b>	135	23,255	5.0%	\$1,809	1.80%	58	-	1,853
<b>North Jefferson County</b>	77	13,324	5.8%	\$1,805	2.50%	113	280	1,826
<b>Northeast Adams County</b>	73	14,190	5.5%	\$1,619	1.90%	53	-	982
<b>Northwest Adams County</b>	102	25,293	6.3%	\$1,722	-0.20%	(31)	312	607
<b>South Adams County</b>	30	4,941	5.2%	\$1,557	2.40%	101	-	1,365
<b>South Douglas County</b>	58	13,112	4.9%	\$1,991	0.20%	248	78	2,536
<b>South Jefferson County</b>	21	5,470	5.3%	\$2,278	4.10%	5	-	280
<b>West Denver</b>	137	21,644	4.4%	\$1,678	-0.10%	220	367	2,579
<b>Totals</b>	1,474	302,245	5.7%	\$1,833	0.80%	2,380	3,479	32,847

Source: CoStar

Denver Metro Historical								
<b>2023 Q3</b>	1,474	302,245	5.7%	\$1,833	2.52%	2,380	3,479	32,847
<b>2023 Q2</b>	1,461	298,766	5.8%	\$1,854	0.70%	2,468	2,690	35,240
<b>2023 Q1</b>	1,448	296,076	6.4%	\$1,827	2.70%	1,725	2,031	37,142
<b>2022 Q4</b>	1,436	294,238	6.8%	\$1,790	3.70%	916	3,740	33,208
<b>2022 Q3</b>	1,418	290,498	6.3%	\$1,822	4.90%	2,069	3,167	32,373

Source: CoStar



Colorado Springs

# Multifamily 23Q3

## Highlights

- Vacancy rates decreased to 7.1%.
- Absorption was healthy this quarter with 961 units absorbed.
- Rental rates finished the quarter at \$1,444.
- 7,257 units are under construction.



### Vacancy Rate (YOY)

Q3 2022 7.7%  
Q3 2023 7.1%



### Construction (YOY)

Q3 2022 7,162  
Q3 2023 7,257



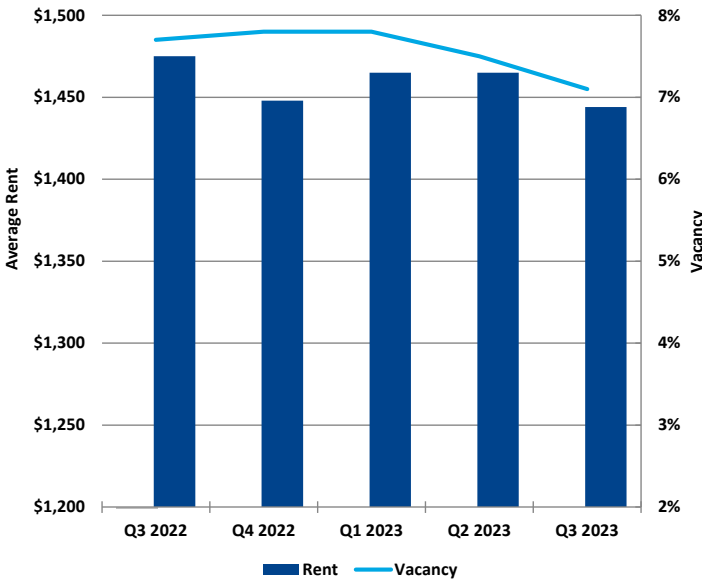
### Average Rent (YOY)

Q3 2022 \$1,475  
Q3 2023 \$1,444



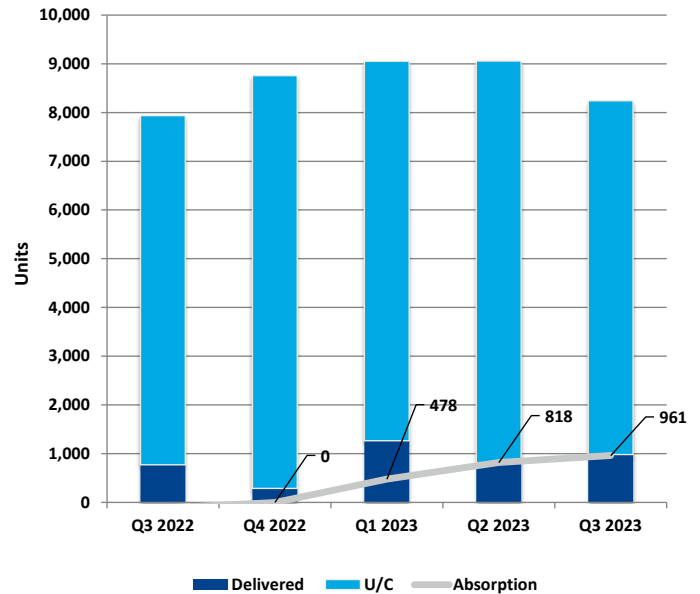
The Colorado Springs market represents a paradigm of a thriving economy and an exceptional quality of life. In the third quarter, rental rates remained impressively stable at an average of \$1,444, showing minimal fluctuations compared to the prior quarter. Noteworthy growth was evident with the completion of six developments, adding a total of 983 units to the market. Looking forward, expert forecasts suggest an increase in asking rents and a stabilization in vacancy rates for the upcoming quarter. These insights provide an optimistic outlook, signifying ongoing progress and promising opportunities within the market. Colorado Springs continues to be an appealing destination, offering a dynamic real estate landscape marked by growth and potential.

#### Average Rent & Vacancy Trends



Source: CoStar

#### Units Absorbed vs. Delivered & Under Construction



Source: CoStar

## New Deliveries on the Way...

PROPERTY	CITY	SALE PRICE	# OF UNITS	PRICE PER UNIT	BUYER
4275 Sanders View Dr.*	Colorado Springs	\$62,880,000	240	\$262,000	Benedict Canton Equities Inc.
1130 Bell Tower Hts.*	Colorado Springs	\$19,320,000	60	\$322,000	Benedict Canton Equities Inc.

\*Part of a Portfolio

Source: CoStar



Northern Colorado

# Multifamily 23Q3

## Highlights

- Northern Colorado's vacancy increased to 8.1%.
- Rental rates hit \$1,549 at quarter's close.
- 1,759 units under construction at quarter's close.



### Vacancy Rate (YOY)

Q3 2022: 6.1%  
Q3 2023: 8.1%



### Construction (YOY)

Q3 2022: 3,304  
Q3 2023: 1,759



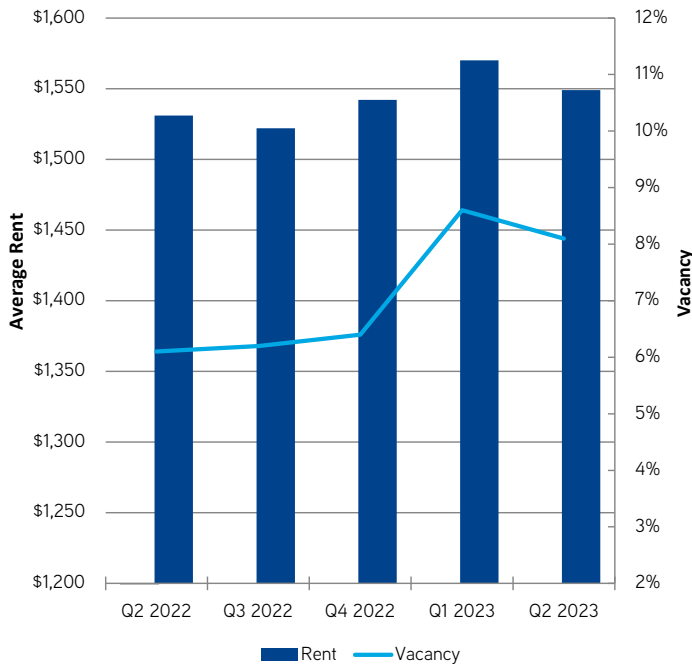
### Average Rent (YOY)

Q3 2022: \$1,531  
Q3 2023: \$1,549



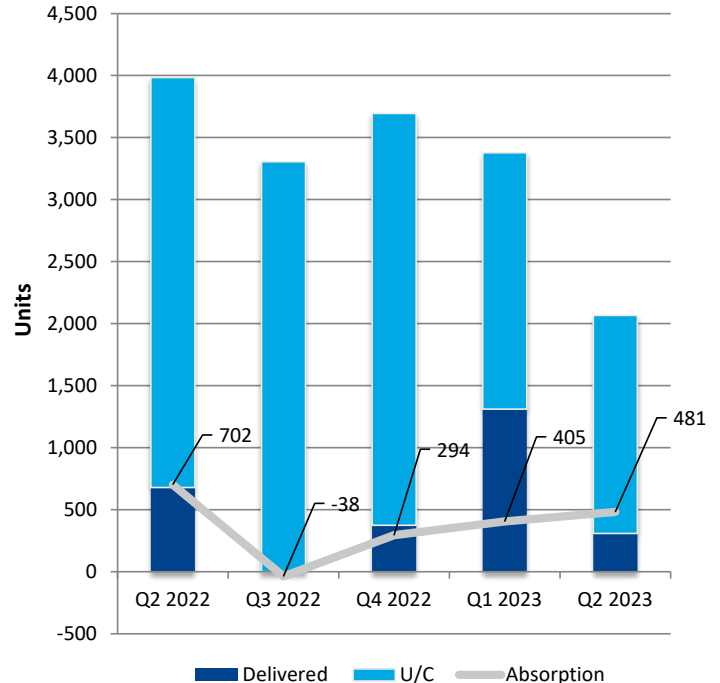
In tandem with the dynamic Denver multifamily market, the Northern Colorado market is experiencing a notable upswing in employment opportunities, leading to increased rental rates. Notably, in the fourth quarter of 2022, the Northern Colorado market encountered its first negative absorption quarter in 45 quarters, signaling a temporary setback. However, the subsequent quarters displayed a strong rebound, including the third quarter of 2023, which recorded a positive absorption of 481 units. Absorption rates are expected to witness a slight decline, the construction sector and asking lease rates are also expected to decline as the region is seeing vacancy rise. It will be important to pay attention to this market, as we are seeing negative trends for the first time in years.

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
2235 Rocky Mountain Ave.	Loveland	\$94,500,000	303	\$311,881.19	Centerspace
281 Willow St.	Fort Collins	\$65,000,000	197	\$329,949.24	Borello Asset Management, Inc.

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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