Denver

Multifamily

23Q4

The Denver Metro multifamily market in Q4 2023 showed expansion with increased inventory and new unit deliveries, indicating a strong construction sector. Despite more units coming to market, demand remained high, as seen in positive net absorption and slightly improved occupancy rates. However, a decrease in construction activity and stabilization of rents suggested a cautious approach and a market adjusting to balance growth with economic conditions. This reflects a healthy market dynamic, balancing supply and demand effectively.

Accelerating success.

Denver Multifamily 23Q4

Key Takeaways

- Inventory growth continued as total units reached 305,026, marking consistent expansion quarter over quarter and year over year.
- Delivery of new units remained strong, with 4,453 units added, surpassing the previous quarter and significantly higher than the same quarter the previous year.
- Net absorption was robust at 2,698 units, showing the market's ability to maintain positive momentum in taking up new supply.
- The market achieved a balance with a slight decline in construction to 30,108 units and a reduction in average monthly rent to $1,803, reflecting a stable market environment.

		YOY	Forecast
Vacancy Rate	5.8%	▼	▲
Net Absorption	2,698 units	▲	▲
Under Construction	30,108 units	▼	▼
Asking Lease Rates	$1,803	▲	▲

Continued Optimism in the Denver Market

The Denver Metro multifamily market in Q4 2023 continued to expand, with total inventory growing 4,453 units in the previous quarter and significant growth of 13,052 units year over year. The market saw a considerable increase in units delivered, with 4,453 new units coming to market, an uptick from 3,878 in Q3 and a substantial jump from 3,118 units the year before. This increase points to a confident construction sector despite potential market headwinds. Net absorption remained positive at 2,698 units, an increase over the 2,402 in Q3, and reflects the market's capacity to assimilate the influx of new units. Occupancy rates edged higher to 94.20%, indicating a robust demand that continues to outpace the new supply, albeit with a slight moderation in growth rate compared to the previous year's figures. The number of units under construction saw a decrease to 30,108, down from 33,943 in Q3, suggesting a cautious approach from developers or a nearing of project completions. The average monthly rent decreased to $1,803, down from $1,824 in Q3, suggesting that rental price growth is stabilizing, potentially in response to market forces or increased competition among landlords. The Denver Metro multifamily market is showing signs of a balanced growth trajectory, with strong demand for new and existing units but also a slight easing in construction activity and rent increases. This balance may indicate a healthy market that is adjusting to economic conditions and supply-demand dynamics, maintaining optimism for investors and property owners alike.

Market Indicators

3.32% Denver Unemployment Rate

2.96% Denver YOY Real GDP Growth

3.881% US 10 Year Treasury Note

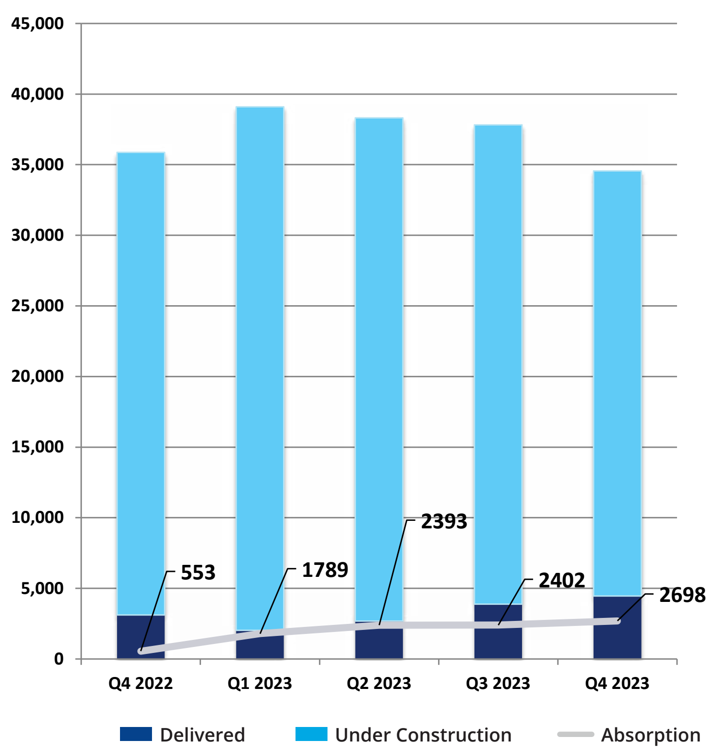
Historic Comparison

	2023 Q4	2023 Q3	2022 Q4
Total Inventory (Existing Units)	305,026	300,573	291,974
Units Delivered	4,453	3,878	3,118
Units Absorbed	2,698	2,402	553
Occupancy	94.20%	94.10%	93.00%
Under Construction	30,108	33,943	32,760
Average Monthly Rent	1,803	1,824	1,782

Source: CoStar

Market Graph

Units Absorbed vs. Delivered & Under Construction

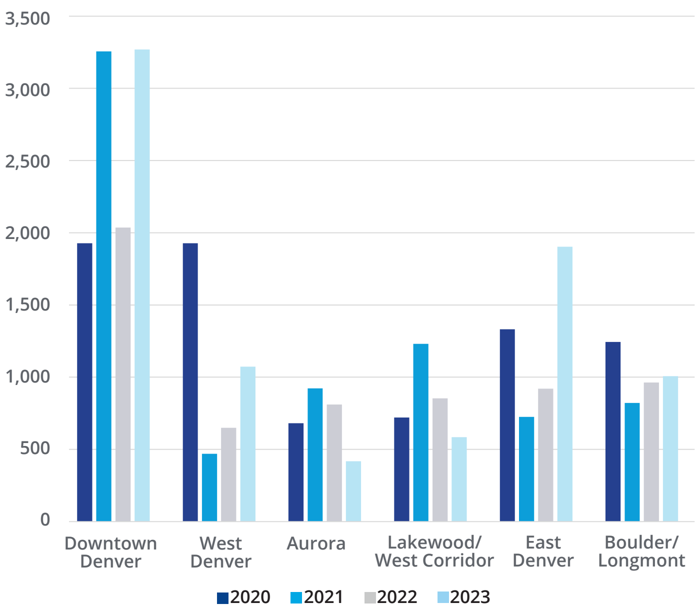


Source: CoStar

Construction

In Q4 2023, the Denver metro multifamily market showed a decrease in construction activity compared to the previous quarters of the year. The number of buildings under construction fell to 125, a drop from 137 in Q3 and down from the peak of 148 in Q1. Correspondingly, the number of units under construction also decreased to 30,108, which is lower than the 33,943 units in Q3 and significantly less than the 37,065 units in Q1. This decline is also reflected in the under construction percentage, which decreased to 9.8% in Q4 from a high of 12.6% in Q1. This trend suggests a cooling off from the rapid construction pace earlier in the year, moving towards a potential stabilization in the market.

Submarket Unit Completions by Year

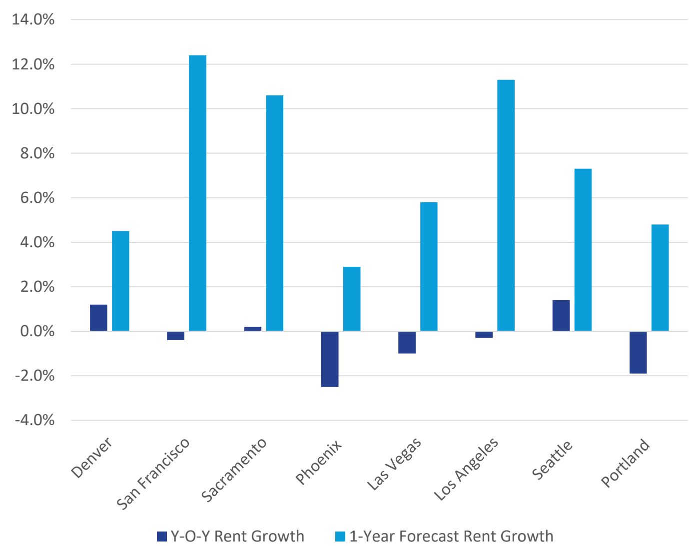


Source: CoStar

Investment Activity

Investment activity during Q4 saw a resurgence, with high-profile transactions re-emerging and five properties closing at a sale price above $100 million during the second half of the year. The fourth quarter recorded a sales volume of $950 million, a recovery from the first half of the year, although still down by about 44% from the previous five-year average. Downtown Denver led in multifamily transactions with $430 million in deals, with notable sales including the Seasons of Cherry Creek at $225 million and the DriveTrain complex for $182 million. The average market sale price in Denver stands at $310,000 per unit, above the national average but below the mid-2022 peak of $370,000 per unit. However, with cap rates rising to 5.0% and 32,000 units under construction amid concerns over population growth, investor caution is perceptible, indicating a shift in the market dynamics.

YOY Rent Growth vs. 1-Year Forecast Rent Growth



Source: CoStar

Sales Activity

PROPERTY	CITY	SALE PRICE	# OF UNITS	PRICE PER UNIT	BUYER
4055 Inca St	Denver	$161,000,000	434	$370,968.00	Kairoi Residential
1650 Wewatta St	Denver	$125,500,000	287	$437,282.00	Griffis Residential
1780 Marion St	Denver	$111,000,000	254	$437,008.00	Jackson Square Properties
8012 W Long Dr	Littleton	$100,000,000	326	$306,748.00	The Connor Group
4400 S Syracuse St	Denver	$95,250,000	316	$301,424.00	MG Properties

Source: CoStar

Denver Multifamily 23Q4

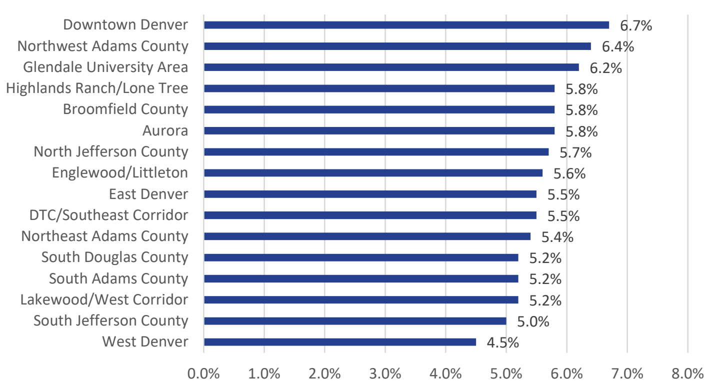
Vacancy

In Q4 2023, the Denver metro multifamily market saw a decrease in vacancy rates, improving from 7.0% in the same quarter the previous year to 5.8%. This represents a 1.2% year-over-year decrease in vacancy rates, indicating stronger occupancy levels across the metro area. When examining specific submarkets, West Denver exhibited the lowest vacancy rate at 4.5%, suggesting a particularly high demand for multifamily units in this area. Conversely, Downtown Denver had the highest vacancy rate at 6.7%, which may reflect a greater availability of rental units or a slowing in absorption rate. Overall, the market's vacancy trend appears to be on a downward trajectory, indicating a healthy demand for multifamily housing in the Denver metro area.

Absorption

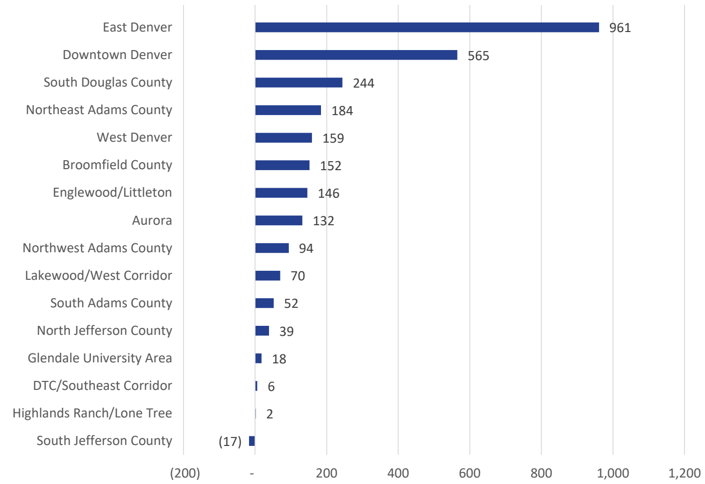
In the Denver metro multifamily market for Q4 2023, absorption continued to strengthen, with 2,697 units absorbed, marking a 0.9% absorption rate which is a notable increase from 0.2% in the same quarter of the previous year. This growth represents a consistent upward trend over the year, with each quarter outperforming the last, starting from a 0.6% absorption rate in Q1 2023. The submarket data reveals that East Denver led the absorption figures with a significant 961 units, reflecting a robust demand in this area. Downtown Denver also showed strong absorption with 565 units, while some areas like South Jefferson County experienced negative absorption, with -17 units absorbed. The overall absorption data for Q4 2023 suggests a healthy demand for multifamily housing across most of the Denver metro area.

Vacancy by Submarket

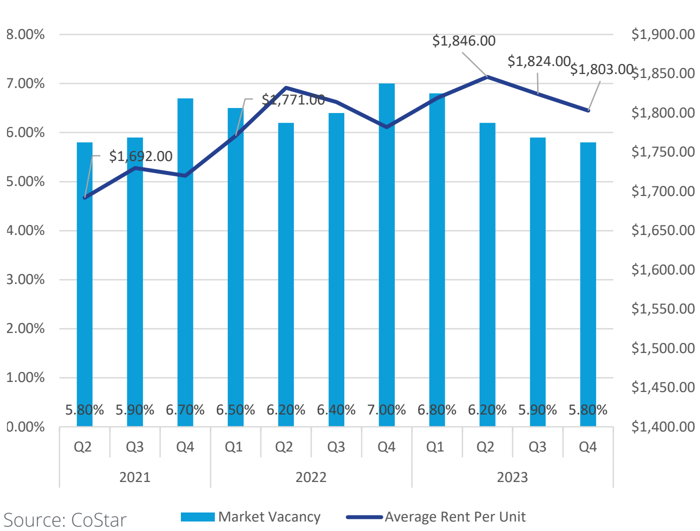


Source: CoStar

Net Absorption Current Qtr. Units

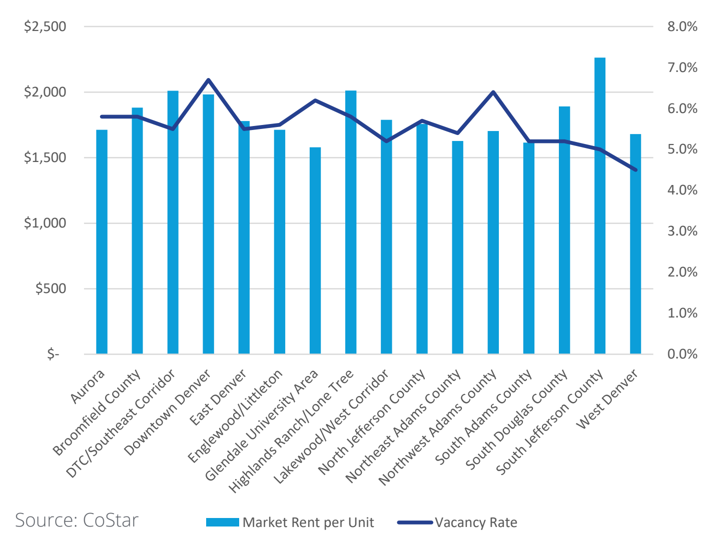


Market Vacancy and Average Market Rents



Source: CoStar

Rent and Vacancy By Submarket



Source: CoStar

Denver

Multifamily

23Q4

Lease Rates

In Q4 2023, the Denver metro multifamily market saw the effective rent per unit increase to $1,803, which is a rise from $1,782 in Q4 2022, reflecting an annual growth of 1.2% in effective rent. The effective rent per square foot also increased, reaching $2.10. Submarket analysis shows that the DTC/Southeast Corridor had one of the highest market rents per unit at $2,010, while South Jefferson County topped the list with $2,263, correlating with its lower vacancy rate of 5.0%. In contrast, more affordable rents could be found in areas like the Glendale University Area, with a market rent of $1,580 per unit. Overall, the trend in lease rates across the Denver metro area indicates a moderate increase in rental costs, while maintaining a balance with the vacancy rates that vary across submarkets.

Forecast

The Denver multifamily market is set to experience a period of expansion and value appreciation in the coming years. Vacancy rates are expected to plateau, reflecting a balance between supply and demand. Rental rates are anticipated to continue their upward trajectory, supported by annual rent growth that suggests a steady demand for housing. The construction of new multifamily units will likely slow down, as the market absorbs the existing inventory, which is projected to grow modestly. The stabilization of vacancy rates and the rise in asking rents point to a market that is adjusting well to economic conditions while maintaining healthy occupancy levels. Sale prices per unit are also expected to increase, indicating a favorable environment for investment and property value growth. Cap rates may show a slight decrease, signaling an attractive market for investors with competitive returns. Over the next few years, the Denver multifamily market is likely to demonstrate resilience and appeal, with a strong foundation for sustained growth and investment activity.

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	155	39,905	5.8%	$1,712	4.40%	132	355	3,454
Broomfield County	43	10,647	5.8%	$1,881	-0.10%	152	50	2,016
DTC/Southeast Corridor	55	14,108	5.5%	$2,010	1.20%	6	-	1,533
Downtown Denver	275	48,947	6.7%	$1,982	-1.70%	565	246	7,595
East Denver	91	21,587	5.5%	$1,780	2.00%	961	1,083	2,344
Englewood/Littleton	67	11,335	5.6%	$1,713	0.40%	31	146	1,854
Glendale University Area	111	22,711	6.2%	$1,580	1.30%	18	-	489
Highlands Ranch/Lone Tree	39	11,794	5.8%	$2,012	3.20%	2	227	1,059
Lakewood/West Corridor	137	23,556	5.2%	$1,788	1.20%	70	316	1,470
North Jefferson County	76	13,264	5.7%	$1,757	-0.10%	39	-	1,694
Northeast Adams County	73	14,440	5.4%	$1,627	2.60%	184	430	531
Northwest Adams County	100	25,017	6.4%	$1,704	1.80%	94	-	919
South Adams County	32	5,706	5.2%	$1,615	0.80%	52	760	797
South Douglas County	59	13,931	5.2%	$1,891	0.60%	244	840	964
South Jefferson County	22	5,608	5.0%	$2,263	3.30%	(17)	-	479
West Denver	135	21,459	4.5%	$1,680	1.30%	159	-	2,910
Totals	1,477	304,756	5.8%	$1,803	1.40%	2,698	4,453	30,108

Source: CoStar

Denver Metro Historical								
Q3 2022	1,477	304,756	5.8%	$1,803	1.64%	2,698	4,453	30,108
Q4 2022	1,462	300,573	5.9%	$1,824	0.60%	2,402	3,878	33,943
Q1 2023	1,447	296,695	6.2%	$1,846	0.80%	2,393	2,690	35,627
Q2 2023	1,434	294,005	6.8%	$1,819	2.70%	1,789	2,031	37,065
Q3 2023	1,421	291,974	7.0%	$1,782	3.60%	553	3,118	32,760

Source: CoStar

Colorado Springs

Multifamily

23Q4

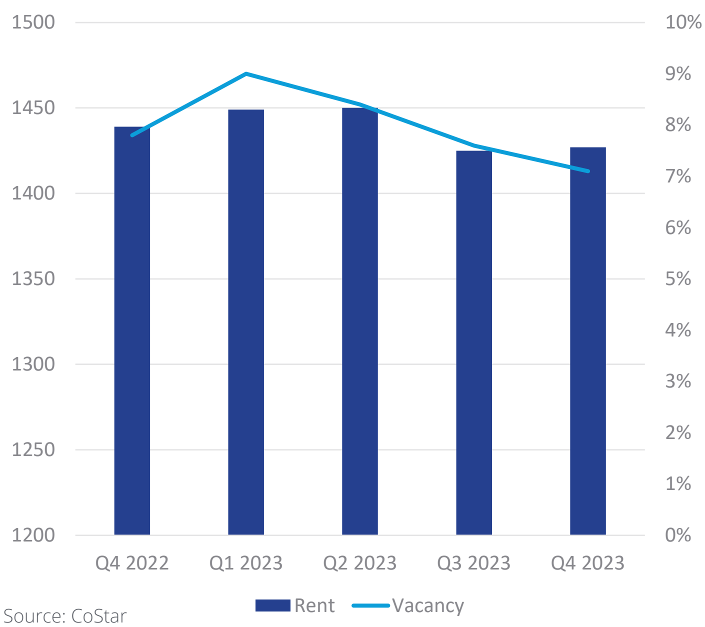
Highlights

- Vacancy rates decreased year-over-year in the Colorado Springs multifamily market, from 7.8% in Q4 2022 to 7.1% in Q4 2023.
- Absorption in the market was strong, with a significant increase to 761 units absorbed in Q4 2023, compared to a negative absorption in the same quarter of the previous year.
- Rental rates saw a slight decline over the year, with the average rent finishing at $1,427 for Q4 2023.
- Construction activity is slowing down, with units under construction decreasing to 7,403 from 8,949, indicating a market shift toward equilibrium.

		YOY	Forecast
Vacancy Rate	7.1%	▼	▼
Net Absorption	761 units	▲	▼
Under Construction	8,949 units	▼	▼
Asking Lease Rates	$1,427	▼	▲

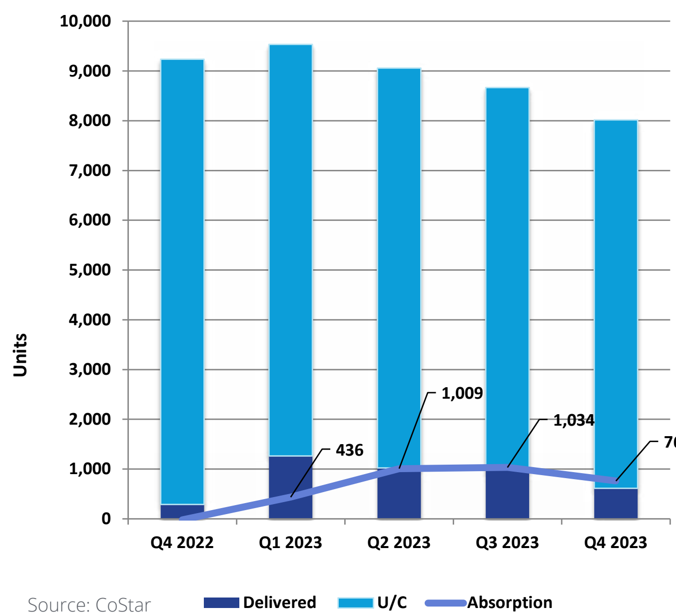
In Q4 2023, the Colorado Springs multifamily market displayed a trend of recovery and growth. The vacancy rate decreased to 7.1% from 7.8% in Q4 2022, showing an improvement in occupancy over the year. Absorption saw a positive shift from a negative 21 units in Q4 2022 to 761 units in Q4 2023, indicating a resurgence in demand for multifamily units. Deliveries of new units slowed down to 614, compared to 287 in Q4 2022, aligning with the trend of reduced construction activity, with units under construction (U/C) decreasing to 7,403 from the previous year's 8,949. Asking lease rates experienced a slight decline, with the average rent dropping from $1,439 in Q4 2022 to $1,427 in Q4 2023, reflecting a market responding to the balance of supply and demand. Over the year, rent peaked at $1,450 in Q2 2023 before falling to its current rate, which could be attributed to market adjustments or increased competition among landlords. The year-over-year data suggest a market that is stabilizing, with demand catching up to the recent high levels of construction activity. This stabilization is expected to continue as forecasted trends indicate a downshift in both construction and asking lease rates, potentially leading to a more balanced market in the future.

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
1512 S Corona Ave	Colorado Springs	$3,200,000	6	$533,333	Aime Ventures LLC
2640 E Monument St	Colorado Springs	$1,350,000	8	$168,750	Billie Jo Johnston
3746-3747 Red Canon Pl	Colorado Springs	$1,310,000	10	$131,000	Shane Sherman
509-515 Sunset Rd	Colorado Springs	$1,193,000	12	$99,417	Michael Sorum

Source: CoStar

Northern Colorado

Multifamily

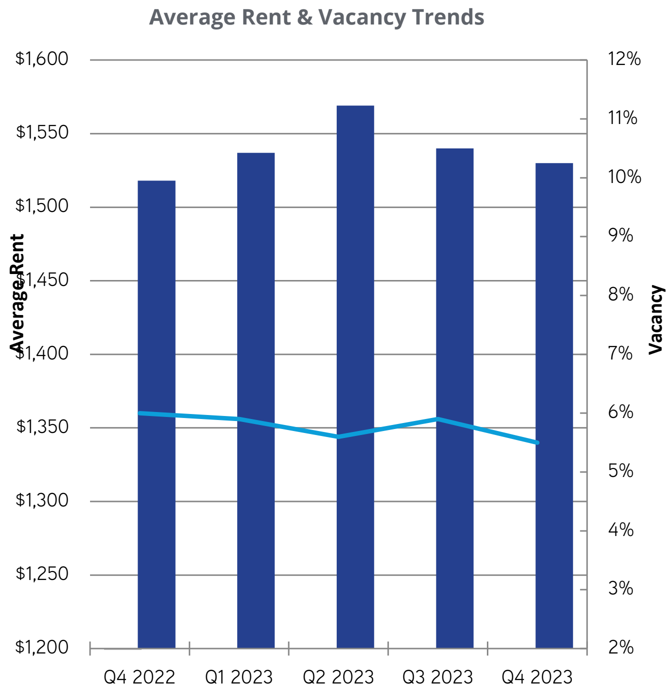
23Q4

Highlights

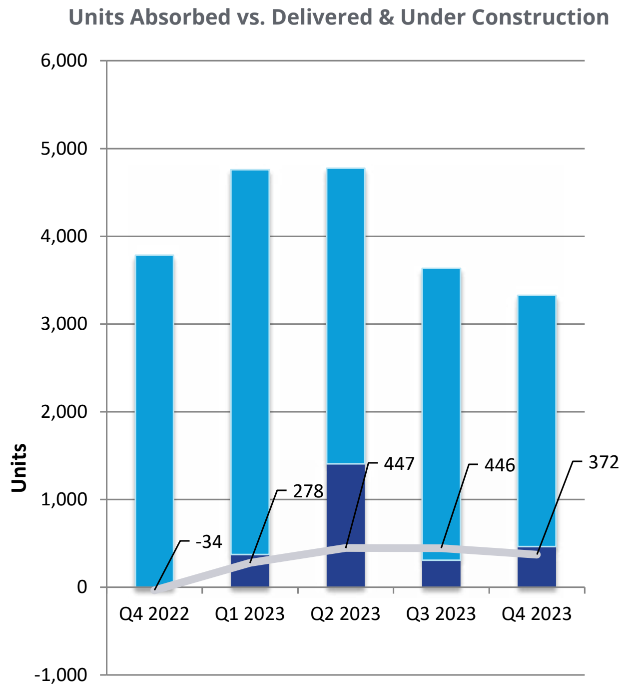
- Despite previous positive trends, Northern Colorado's multifamily market experienced an increase in the vacancy rate, reaching 8.1%.
- At the close of the quarter, rental rates in Northern Colorado rose to $1,549.
- The construction activity in the multifamily sector slowed, with 1,759 units reported to be under construction at the end of the quarter.

		YOY	FORECAST
Vacancy Rate	5.5%	▼	▼
Net Absorption	372 units	▲	▲
Under Construction	2,864 units	▼	▼
Asking Lease Rates	$1,530	▲	▲

In the fourth quarter of 2023, the Northern Colorado multifamily market experienced positive trends across key metrics. The vacancy rate saw a year-over-year decrease, dropping from 6.0% in Q4 2022 to 5.5% in Q4 2023, demonstrating an increase in occupancy. Absorption turned positive, with 372 units in Q4 2023, recovering from a negative 34 units in the same quarter of the previous year, indicating a strengthening demand for multifamily units. Construction activity slowed down, with units under construction (U/C) decreasing to 2,864 from 3,783 in Q4 2022, reflecting a cautious approach in the market or a cycle of project completions. In line with these developments, the asking lease rates rose slightly, from $1,518 in Q4 2022 to $1,530 in Q4 2023, which could be attributed to the increased demand and lower vacancies. The quarter-to-quarter data throughout 2023 showed fluctuations in rent, peaking at $1,569 in Q2 before settling at $1,530 by the end of Q4. These adjustments in rent levels over the quarters might be reflective of ongoing market corrections and the balancing of supply and demand. The market's overall trajectory in 2023 indicates a move towards equilibrium, with increasing absorption rates and stabilizing construction activity likely to support sustained growth in the Northern Colorado multifamily market.



Source: CoStar



Source: CoStar

Sales Activity

PROPERTY	CITY	SALE PRICE	# OF UNITS	PRICE PER UNIT	BUYER
2235 Rocky Mountain Ave	Loveland	$94,500,000	303	$311,881.00	Centerspace
281 Willow St	Fort Collins	$65,000,000	197	$329,949.00	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

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, Twitter @Colliers or LinkedIn.

Market Contacts:

Craig Stack
Senior Vice President
+1 720 833 4602
craig.stack@colliers.com

Bill Morkes
Senior Vice President
+1 303 283 4583
bill.morkes@colliers.com

Oliver Stutz
Broker Associate & Financial Analyst
+1 303 283 4568
oliver.stutz@colliers.com

Carson Eischen
Broker Associate & Financial Analyst
+1 720 833 4672
carson.eischen@colliers.com

Annalie Ceballos
Director of Operations & Marketing
+1 720 833 4622
annalie.ceballos@colliers.com

REGIONAL AUTHORS:

Ben Nelligan
Research Analyst
+1 720 833 4624
ben.nelligan@colliers.com

Tim Morris
Director of Research
+1 720 833 4630
tim.morris@colliers.com