Colliers

Denver

Multifamily

24Q2

The Denver Metro Multifamily market has maintained steady growth, with no vacancy increase for the second straight quarter. Construction activity has decreased during Q2, with strong demand leading to an increase in absorption. Rent continued its slow increase, and will continue to do so as long as demand is high. The market is forecasted to balance out as demand catches up to supply in the coming years.

Accelerating success.

Colliers Denver Multifamily 24Q2

Key Takeaways

- Vacancy is down 50 basis points YOY, but forecasted to increase during the second half of 2024.
- Absorption increased by 1,718 units, with new deliveries coming into the market.
- Ongoing construction has decreased by 5,691 units, with units being delivered over the past quarter.
- Average rent increased by $18, and is forecasted to slowly increase with added demand.

		YOY	Forecast
Vacancy Rate	5.8%	▼	▲
Net Absorption	4,094 units	▲	▼
Under Construction	22,472 units	▼	▼
Asking Lease Rates	$1,865	▲	▲

Continued Optimism in the Denver Market

The Denver Multifamily market has remained steady over the past quarter, with vacancy remaining the same over the quarter and down 50 basis points from the previous year. Demand for apartments in Denver has returned, and new developments are following. Absorption was up around 1,700 units over the last quarter, but it is forecasted to decrease over the next year, with new buildings being delivered. Ongoing construction has slowed, with a decrease of around 12,000 units in the pipeline and a projection to decrease continually. Effective Rents have increased from $1,847 to $1,865 during the quarter and are projected to continue to rise as demand increases and supply remains steady. This plateau in supply will keep lease rates and absorption low, but as the new supply continues to fill, those numbers will rise.

Market Indicators

3.46% Denver Unemployment Rate

3.11% Denver YOY Real GDP Growth

4.402% US 10 Year Treasury Note

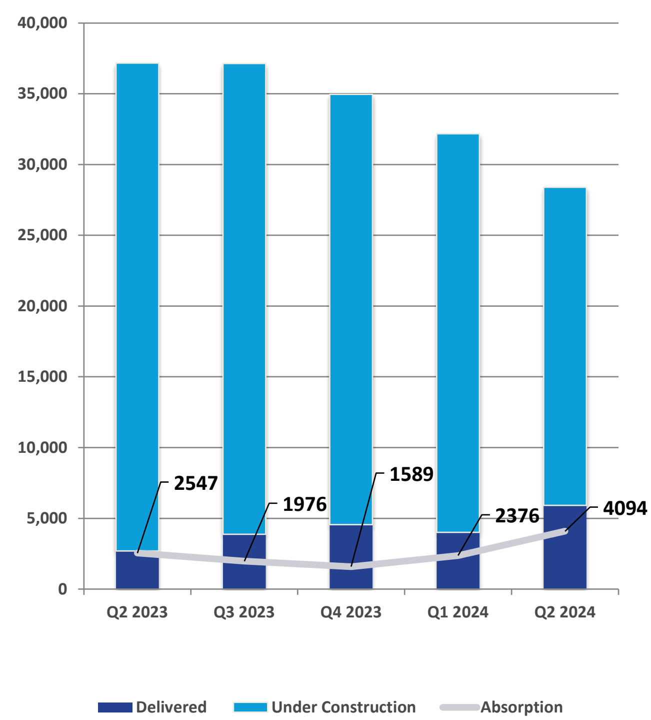
Historic Comparison

	2024 Q2	2024 Q1	2023 Q2
Total Inventory (Existing Units)	314,314	308,396	295,943
Units Delivered	5,918	4,017	2,690
Units Absorbed	4,094	2,376	2,547
Occupancy	94.20%	94.20%	93.70%
Under Construction	22,472	28,163	34,481
Average Monthly Rent	1,865	1,847	1,858

Source: CoStar

Market Graph

Units Absorbed vs. Delivered & Under Construction

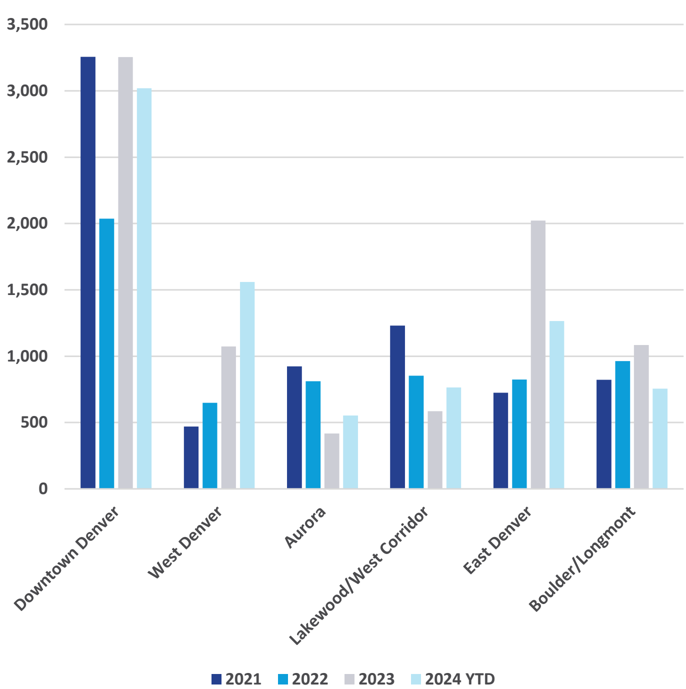


Source: CoStar

Construction

Denver has maintained consistently high construction activity over the past quarter, with 5,918 new units delivered. Construction activity saw a slight decline, but remained high at 22,472 units, placing Denver near the top among nationwide markets. New construction starts have declined, with many developers struggling to get financing for their projects. New affordable housing initiatives are also slowing development. Developers are targeting West Denver, with 1,344 unit completions this quarter, outpacing other submarkets compared to years past. Despite developers diminishing market outlook, Denver has a large enough pipeline to shift vacancy rates in the second half of 2024.

Submarket Unit Completions by Year

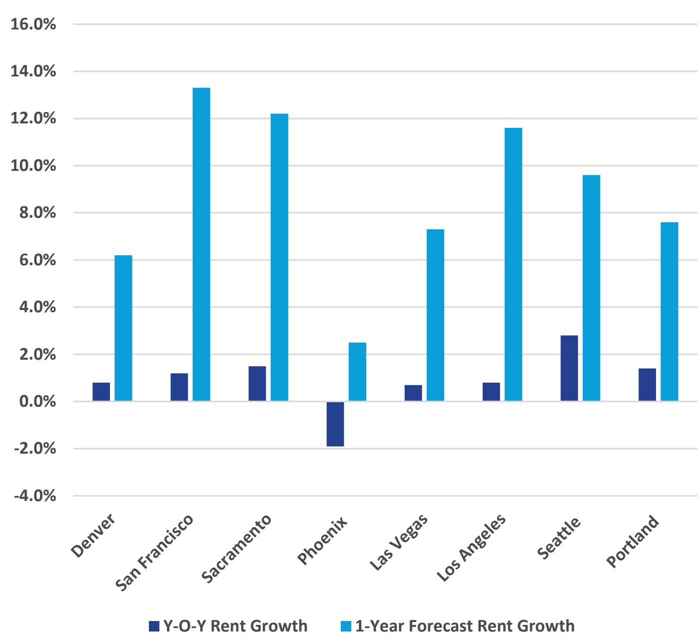


Source: CoStar

Investment Activity

Investment volume in the Denver metro has remained steady during Q2, as activity is slowly returning to 2021 levels. Higher interest rates and less rent growth has begun to discourage buyers, creating a larger bid-ask-spread in pricing expectations between both transaction parties. Downtown led in volume again in Q2, with around $865,000,000 in investment activity. Cherry Creek and RiNo are two submarkets to keep an eye on, as they have the highest rents in the market and very low vacancy. Notable investment sales include Viridian, a 420 unit building in the DTC submarket bought by Pacific Urban Investors for $117,000,000, and Canyon Chase, a 358 unit building in the East Westminster submarket bought by Brookfield Properties for $95,273,833. With steadily high borrowing costs and little rent growth, investment volume is projected to remain low until 2025.

YOY Rent Growth vs. 1-Year Forecast Rent Growth



Source: CoStar

Sales Activity

PROPERTY	CITY	SALE PRICE	# OF UNITS	PRICE PER UNIT	BUYER
5335 S. Valentia Way	Greenwood Village	$117,000,000	420	$278,571.00	Pacific Urban Investors
400 W. 123rd Ave.	Westminster	$95,273,833	358	$266,128.00	Brookfield Properties
3850 W. 112th Ave.	Westminster	$68,744,925	221	$311,063.00	Brookfield Properties

Source: CoStar

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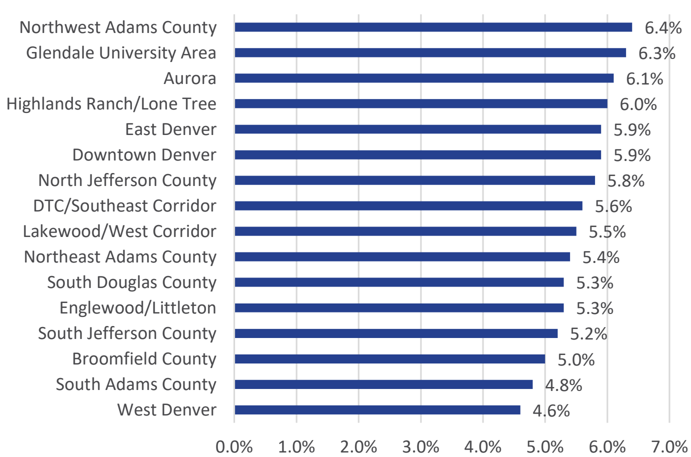
Vacancy

After Q2 2024, vacancy remains high in the Denver metro. Demand remains strong in Denver with the steady population growth, but an influx of supply has left apartment space empty. Overall vacancy remained at 5.8%, the same as Q1, but is down 50 basis points YOY, indicating a positive shift in the market. West Denver shows the most promise, with a vacancy rate of 4.6%, while the Aurora submarket shows some of the highest vacancy at 6.1%. This increase in supply should continue until 2026, when construction will slow and the demand will meet, balancing the market.

Absorption

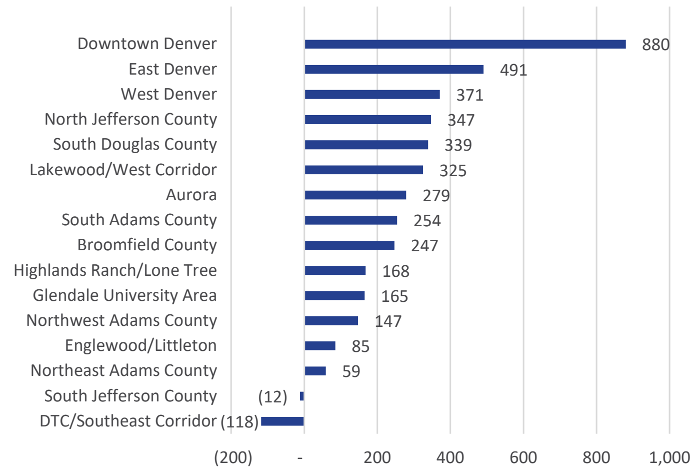
The Denver metro Multifamily market continued to show absorption growth in Q2, with a net absorption of 4,094 units, up from 2,376 in Q1 and 2,547 YOY. Absorption is expected to remain high as units are being delivered post-pandemic. Downtown Denver maintains the highest absorption, with 880 units, with East Denver following behind at 491 units. The DTC/Southeast submarket saw negative absorption, at -118 units. With a robust construction pipeline projected over the next few years, absorption could see a slight decrease, but shouldn't be expected to get back to pre-pandemic levels.

Vacancy by Submarket



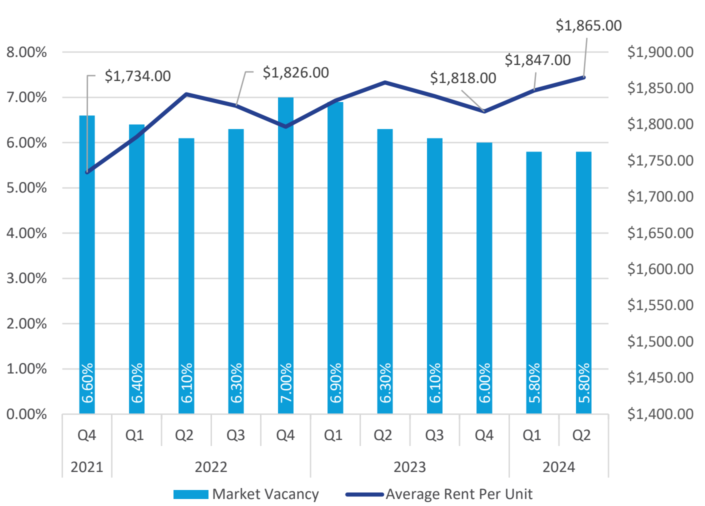
Source: CoStar

Net Absorption Current Qtr. Units



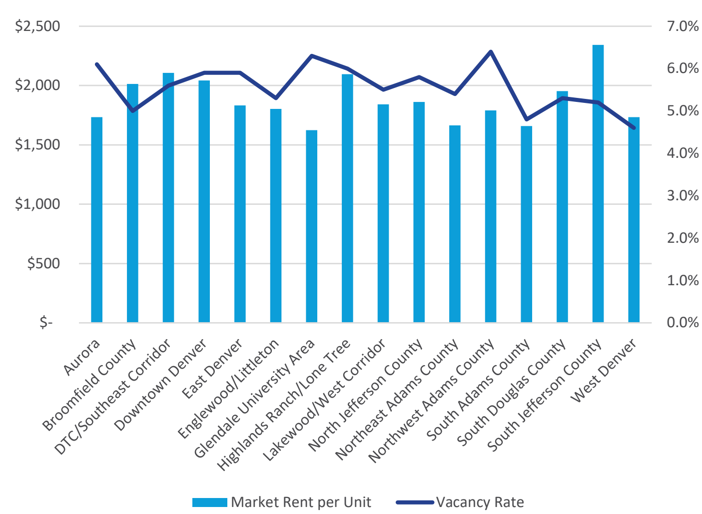
Source: CoStar

Market Vacancy and Average Market Rents



Source: CoStar

Rent and Vacancy By Submarket



Source: CoStar

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Lease Rates

In Q2 2024, lease rates continued to rise after decreasing from Q2 2023 to the end of the year. Lease rates increased $18 to $1,865 in Q2 2024, with a YOY increase of $7. Rates got to $1,858 in Q2 2023, but decreased until year end. Rates are expected to increase in 2024 and into 2025, even with the population seeking alternatives with a high cost of living. Downtown Denver rent growth has not been able to keep up with other submarkets, as renters seek affordable spaces in suburban submarkets. This trend should continue through 2024, even with ample activity in the construction pipeline.

Forecast

As the Denver Metro multifamily market continues to navigate post-pandemic struggles, the outlook is clouded by a projected increase in vacancy rates and a decrease in absorption and construction activity. The Downtown submarket is forecasted to struggle, with renters instead gravitating towards cheaper, suburban options in the future. Construction activity is expected to decrease rapidly as projects deliver and new construction drops, which should contribute to future rent growth by 2025. As new supply continues to outpace demand, vacancy rates will remain at an above average level until 2026, but should start to balance out as the pipeline dries up. Although the outlook is overcast in the near future, the Denver Metro should adjust and balance out in the next five years.

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	159	40,542	6.1%	$1,733	1.70%	279	141	3,452
Broomfield County	44	10,789	5.0%	$2,013	1.20%	247	142	2,101
DTC/Southeast Corridor	58	14,620	5.6%	$2,106	0.70%	(118)	-	1,608
Downtown Denver	287	51,464	5.9%	$2,043	-1.90%	880	1,856	5,752
East Denver	98	23,105	5.9%	$1,833	0.70%	491	346	1,744
Englewood/Littleton	70	11,589	5.3%	$1,803	-1.30%	173	85	1,986
Glendale University Area	113	23,095	6.3%	$1,624	1.30%	165	391	385
Highlands Ranch/Lone Tree	40	12,011	6.0%	$2,095	1.80%	168	-	634
Lakewood/West Corridor	142	24,582	5.5%	$1,841	1.00%	325	151	354
North Jefferson County	80	14,345	5.8%	$1,862	0.10%	347	640	928
Northeast Adams County	74	12,791	5.4%	$1,665	1.10%	59	260	274
Northwest Adams County	101	25,391	6.4%	$1,790	1.80%	147	-	549
South Adams County	35	6,615	4.8%	$1,658	0.70%	254	312	216
South Douglas County	58	13,651	5.3%	$1,954	0.30%	339	170	863
South Jefferson County	23	5,702	5.2%	$2,343	2.40%	(12)	-	199
West Denver	141	23,029	4.6%	$1,733	-0.70%	371	1,344	1,427
Totals	1,532	314,412	5.8%	$1,865	0.70%	4,126	5,918	22,472

Source: CoStar

Denver Metro Historical								
Q2 2024	1,532	314,412	5.8%	$1,865	-0.98%	4,126	5,918	22,472
Q1 2024	1,503	308,396	5.8%	$1,847	0.80%	2,376	4,017	28,163
Q4 2023	1,485	304,379	6.0%	$1,818	1.20%	1,589	4,558	30,395
Q3 2023	1,468	299,821	6.1%	$1,839	0.70%	1,976	3,878	33,263
Q2 2023	1,453	295,943	6.3%	$1,858	0.90%	2,547	2,690	34,481

Source: CoStar

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Colorado Springs

Multifamily 24Q2

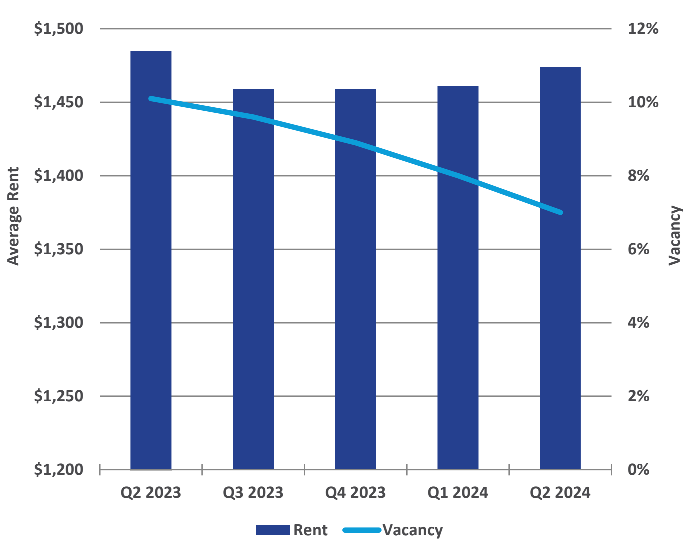
Highlights

- Vacancy rates decreased 310 basis points YOY and 100 basis points during Q2, ending at 7.0%.
- Absorption ended at 1,700 units, up 955 units YOY and 870 units during Q2.
- Construction activity decreased to 4,540 units, down 3,878 units YOY and 2,311 units during Q2.
- Lease rates decreased by $11 per unit YOY, but increased by $13 per unit during Q2, ending at $1,474.

Vacancy Rate	YOY / FORECAST	Net Absorption	YOY / FORECAST	Under Construction	YOY / FORECAST	Asking Lease Rates	YOY / FORECAST
7.0%	YOY ▼ / FORECAST ▲	1,700 units	YOY ▲ / FORECAST ▼	4,540 units	YOY ▼ / FORECAST ▼	$1,474	YOY ▼ / FORECAST ▲

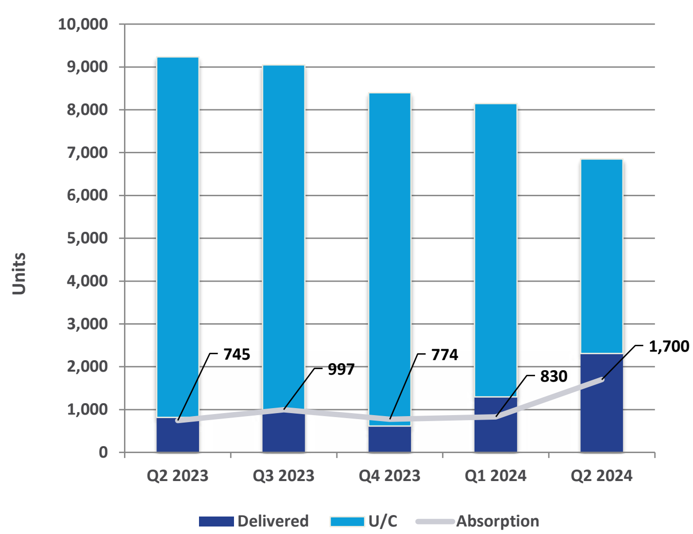
In Q2 2024, the Colorado Springs multifamily market showed signs of growth, with vacancy decreasing 100 basis points to 7.0% and a YOY decrease of 310 basis points. Absorption was up by 870 units in Q2 and 955 units YOY, indicating great leasing activity with a variety of new deliveries in the market. Construction activity decreased by 2,311 units during the quarter, and 3,878 units YOY. The focus for developers has been 4 and 5 star luxury projects, even though those projects show negative rent growth. Lease rates remain steady, increasing by $13 per unit to $1,474 during the quarter, although that is down from $1,485 during Q2 2023. With new supply continuing to enter the market, vacancy should rise until demand can match.

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
623 N. Weber St.	Colorado Springs	$4,075,000	22	$185,227	Dominion Property Management
1419-1431 Imperial Rd.	Colorado Springs	$3,500,000	24	$145,833	Little Wing Investments

Source: CoStar

Northern Colorado

Multifamily 24Q2

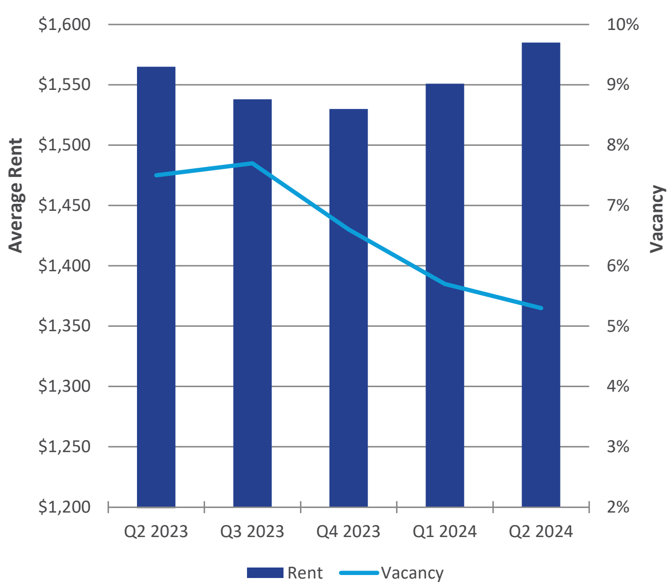
Highlights

- Vacancy rate is down to 5.3%, a 40 basis point decrease in Q2 and a 220 basis point decrease YOY.
- Absorption increased to 457 units, up 134 units during the quarter and 295 units YOY.
- Lease rates are up to $1,585, an increase of $34 during Q2 and $20 YOY.

		YOY	Forecast
Vacancy Rate	5.3%	▼	▲
Net Absorption	457 units	▲	▼
Under Construction	264 units	▼	▲
Asking Lease Rates	$1,585	▲	▲

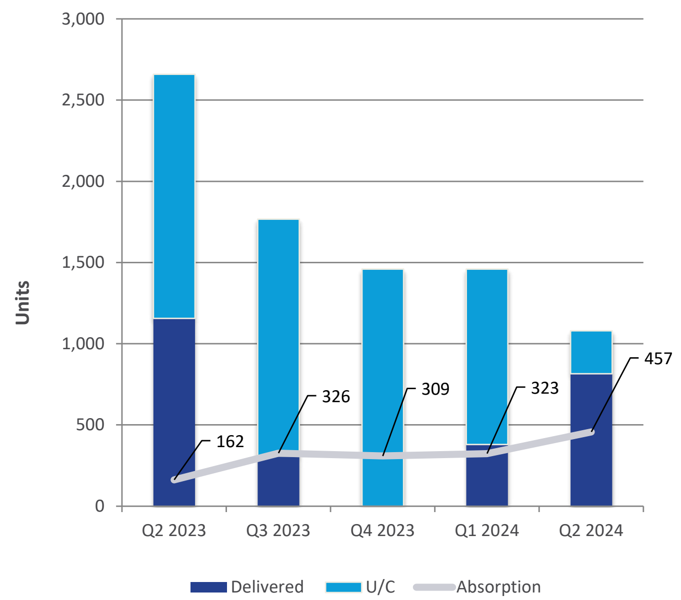
In Q2 2024, the Northern Colorado market continued to grow, with vacancy decreasing to 5.3%, down 40 basis points during the quarter and 220 basis points YOY. However, vacancy is projected to grow, with new deliveries and no shift in demand. Absorption increased to 457 units, up 134 units during the quarter and 295 units YOY, showing positive trends in leasing activity in the short term. Absorption is projected to decrease in the coming years with ongoing projects being delivered. Construction activity decreased as well, with 264 units under construction during Q2. That is down 815 units during the quarter and 1,239 units YOY. Lease rates, however, increased during the quarter and are expected to continue to increase throughout 2024. Effective rent ended Q2 at $1,585, up $34 during the quarter and $20 YOY. Although renters are uncertain about the state of the economy, the Northern Colorado market remains strong into 2024.

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
5295 Hahns Peak Dr.	Loveland	$44,278,844	168	$263,564.00	Brookfield Properties
1320 7th Ave.	Greeley	$779,000	6	$129,833.00	Christopher Grant

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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