Denver Multifamily 24Q3

During Q3, the Denver Metro Multifamily market remained steady, with a slight decrease in vacancy but a projected increase in Q4. With new units being delivered, construction activity decreased during the quarter. Absorption continued to increase, highlighting the maintained steady demand over the past year. Rent decreased slightly during Q3, but is expected to return to previous levels due to the high demand for Multifamily space in Denver. The Denver market will continue to steadily grow, as a surplus in supply combats an increase in demand in the near future.

Colliers

Denver Multifamily 24Q3

Key Takeaways

- Vacancy is down 30 basis points YOY, but forecasted to increase during the end of 2024.
- Absorption increased by 845 units, with new deliveries coming into the market.
- Ongoing construction has decreased by 4,763 units, with units being delivered over the past quarter.
- Average rent decreased by $43, but is forecasted to slowly increase with added demand.

		YOY	Forecast
Vacancy Rate	6.2%	▼	▼
Net Absorption	4,299 units	▲	▼
Under Construction	16,904 units	▼	▼
Asking Lease Rates	$1,860	▼	▲

Continued Optimism in the Denver Market

The Denver Multifamily market has shown continued resilience during Q3, with vacancy increasing slightly over the quarter and down 30 basis points from the previous year. Demand for apartments in Denver has returned, and new developments are following. Absorption was up around 800 units over the last quarter, but it is forecasted to decrease during Q4 and the first half of 2025, with new buildings being delivered. Ongoing construction has slowed, with a decrease of around 5,000 units in the pipeline and a projection to continue to decrease. Effective Rents have decreased from $1,903 to $1,860 during the quarter, but are projected to increase with demand and steady supply. 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

3.58% Denver Unemployment Rate

2.51% Denver YOY Real GDP Growth

3.787% US 10 Year Treasury Note

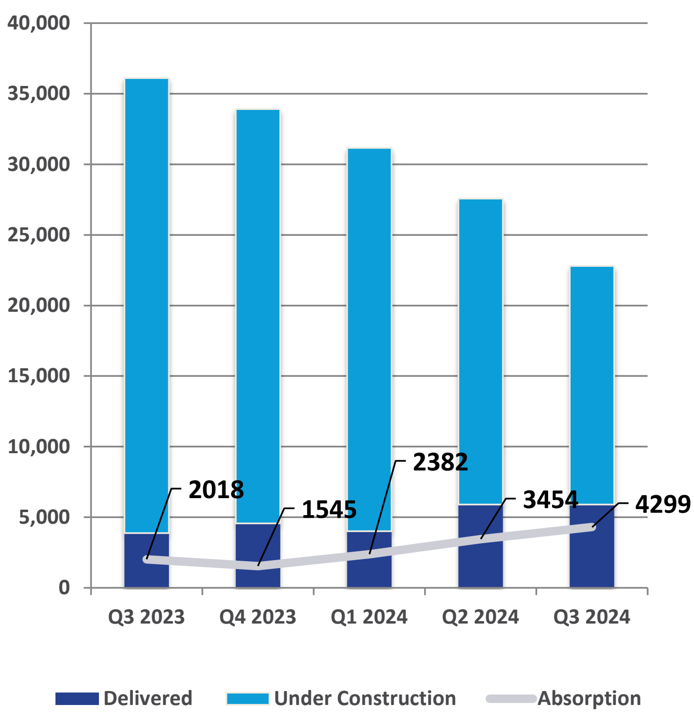
Historic Comparison

	2024 Q3	2024 Q2	2023 Q3
Total Inventory (Existing Units)	320,544	314,649	300,178
Units Delivered	5,895	5,896	3,878
Units Absorbed	4,299	3,454	2,018
Occupancy	93.80%	94.10%	93.50%
Under Construction	16,904	21,667	32,218
Average Monthly Rent	1,860	1,903	1,875

Source: CoStar

Market Graph

Units Absorbed vs. Delivered & Under Construction



Source: CoStar

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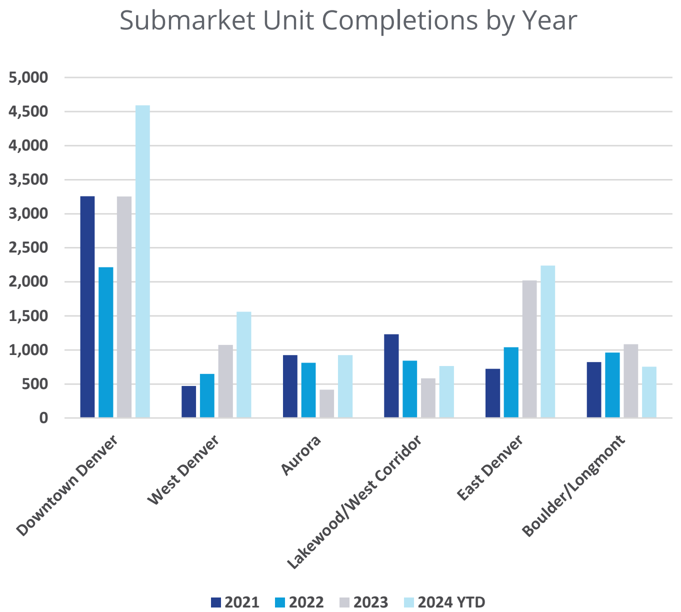
Construction

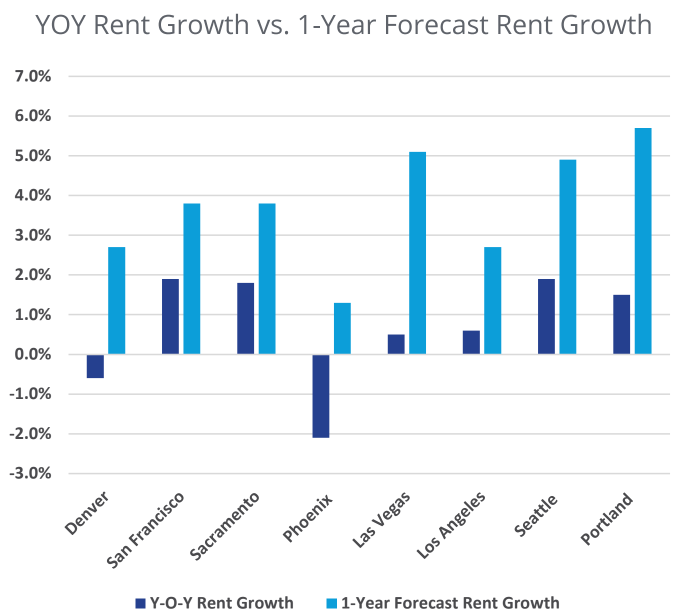
Denver has stacked high construction activity over the past few quarters, with 5,895 new units delivered. Construction activity continued to decline, but remained active at 16,904 units, placing Denver near the top among nationwide markets. The market has become less attractive to market participants, with affordable housing regulations continuing to affect construction activity. There has also been significant delays in the permitting approval process, extending the development timeline. Developers are targeting East Denver, with 2,240 unit completions this year, outpacing other submarkets compared to years past. Despite developers diminishing market outlook, Denver still has a large enough pipeline to shift vacancy rates towards the end of 2024.



Source: CoStar

Investment Activity

In the third quarter of 2024, the multifamily investment market saw a slight increase in activity compared to the previous quarter. The number of transactions rose to 65, marking a 25% increase from Q2 2024, which had 52 transactions. The total sales volume for Q3 2024 reached approximately $1.54 billion, also reflecting a notable improvement from Q2's $831 million. Recent sales include Kent Place Residences, bought by Sequoia Equities for $135 million, and Parkfield Apartments, bought by Fairfield Residential for $120 million. With a decrease in contruction starts underway, investment activity should remain steady into 2025.



Source: CoStar

Sales Activity

PROPERTY	CITY	SALE PRICE	# OF UNITS	PRICE PER UNIT	BUYER
3465 S Gaylord Ct	Englewood	$135,000,000	300	$450,000.00	Sequoia Equities
16199 Green Valley Ranch Blvd	Denver	$120,000,000	476	$252,100.84	Fairfield Residential
7166 W Custer Ave	Lakewood	$99,500,000	308	$323,051.95	Cortland
3650 S Broadway	Englewood	$95,000,000	306	$310,457.52	AvalonBay Communities
14770 Orchard Pkwy	Westminster	$94,460,000	300	$314,866.67	Equity Residential

Source: CoStar

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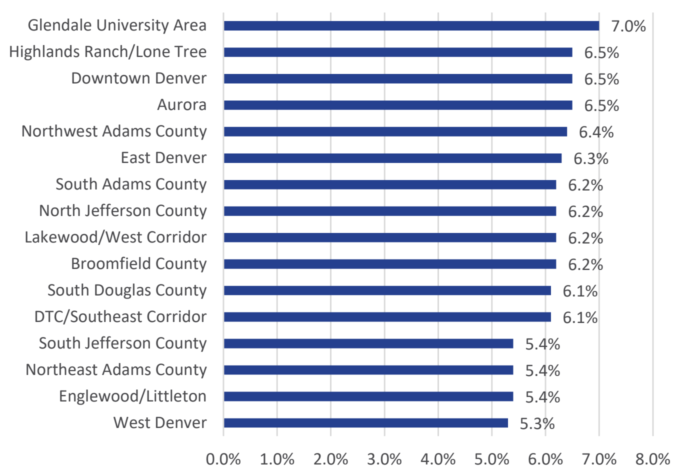
Vacancy

As of Q3 2024, high vacancy has continued in the Denver metro. Denver continues to signal a vast supply pipeline, with 16,904 units under construction. Overall vacancy jumped to 6.2%, up from 5.9% in Q2, but is down 30 basis points YOY, indicating a positive shift in the market. West Denver continues to be a strength in the market, with a vacancy rate of 5.3%, while the Glendale University Area shows the highest vacancy at 7.0%. This increase in supply should continue until 2026, when construction will slow and the demand will meet, balancing the market.

Absorption

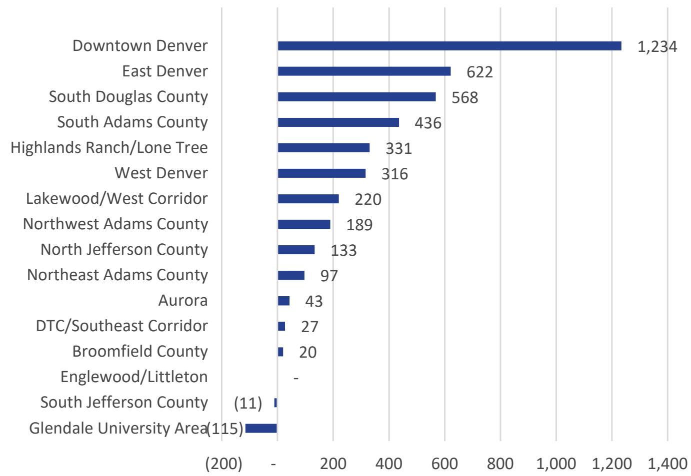
The Denver metro Multifamily market had another solid quarter of absorption growth in Q3, with a net absorption of 4,299 units, up from 3,454 in Q2 and 2,018 YOY. Absorption is expected to remain high as units are being delivered post-pandemic. Downtown Denver maintains the highest absorption, with 1,234 units, with East Denver following behind at 622 units. The Glendale University Area submarket saw negative absorption, at -115 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



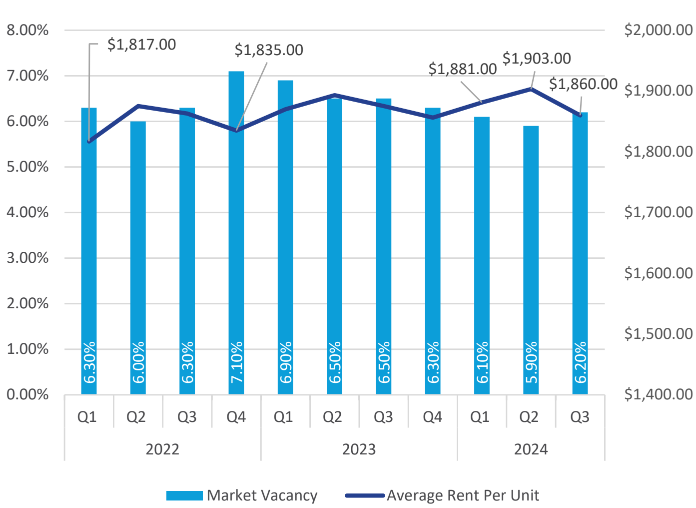
Source: CoStar

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 Q3 2024, lease rates dropped for the first time in 2024, after increasing over the first half of the year. Lease rates decreased $43 to $1,860 in Q3 2024, with a YOY decrease of $15. Rates got to $1,875 in Q3 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 demand for Denver apartment space returns, the market maintains one of the most active supply pipelines in the country. While luxury units still make up most of the supply, demand for Class B options has returned after a battle with inflation and increased lease rates. With new construction still limited in the Denver metro, supply is forecasted to see an increase into 2025, leading to further increased lease rates. Vacancy is forecasted to remain high, with over 6.0% rates expected in the near future.

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	161	41,325	6.5%	$1,735	-0.30%	43	783	2,766
Broomfield County	46	11,277	6.2%	$1,992	-0.30%	20	488	1,613
DTC/Southeast Corridor	60	15,230	6.1%	$2,074	-1.00%	27	800	1,016
Downtown Denver	295	54,053	6.5%	$2,029	-2.70%	1,234	1,894	3,560
East Denver	102	23,949	6.3%	$1,863	-1.40%	622	705	1,552
Englewood/Littleton	71	11,669	5.4%	$1,822	1.30%	116	-	691
Glendale University Area	111	22,859	7.0%	$1,625	-1.00%	(115)	-	489
Highlands Ranch/Lone Tree	40	12,296	6.5%	$2,061	-0.20%	331	425	0
Lakewood/West Corridor	142	24,572	6.2%	$1,843	0.00%	220	-	354
North Jefferson County	81	14,465	6.2%	$1,864	-0.60%	133	120	604
Northeast Adams County	74	12,792	5.4%	$1,661	0.10%	97	-	538
Northwest Adams County	102	25,555	6.4%	$1,771	1.20%	189	164	632
South Adams County	36	6,831	6.2%	$1,679	1.80%	436	216	0
South Douglas County	59	13,951	6.1%	$1,964	-0.10%	568	300	836
South Jefferson County	23	5,724	5.4%	$2,306	1.50%	(11)	-	287
West Denver	142	23,109	5.3%	$1,694	-2.50%	316	-	1,908
Totals	1,553	320,642	6.2%	$1,860	-0.40%	4,262	5,895	16,846

Source: CoStar

Denver Metro Historical								
Q3 2024	1,553	320,642	6.2%	$1,860	-1.88%	4,262	5,895	16,846
Q2 2024	1,531	314,649	5.9%	$1,903	0.50%	3,454	5,896	21,667
Q1 2024	1,503	308,753	6.1%	$1,881	0.60%	2,382	4,017	27,136
Q4 2023	1,485	304,736	6.3%	$1,856	1.10%	1,545	4,558	29,350
Q3 2023	1,468	300,178	6.5%	$1,875	0.70%	2,018	3,878	32,218

Source: CoStar

Colorado Springs | Multifamily
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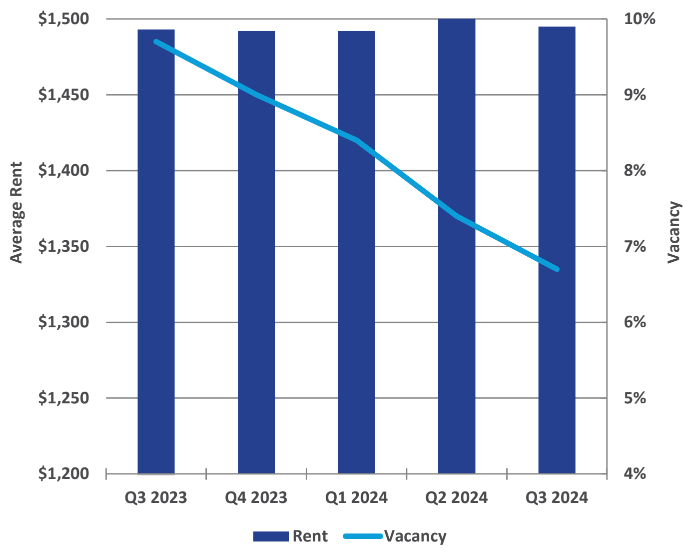
Highlights

- Vacancy rates decreased 300 basis points YOY and 70 basis points during Q3, ending at 6.7%.
- Absorption ended at 1,184 units, up 178 units YOY but down 30 units during Q3.
- Construction activity decreased to 2,726 units, down 4,957 units YOY and 1,568 units during Q3.
- Lease rates increased by $2 per unit YOY, but decreased by $8 per unit during Q3, ending at $1,495.

Vacancy Rate	Net Absorption	Under Construction	Asking Lease Rates
6.7%	1,184 units	2,726 units	$1,495
YOY ▼	YOY ▲	YOY ▼	YOY ▲
FORECAST ▼	FORECAST ▼	FORECAST ▼	FORECAST ▲

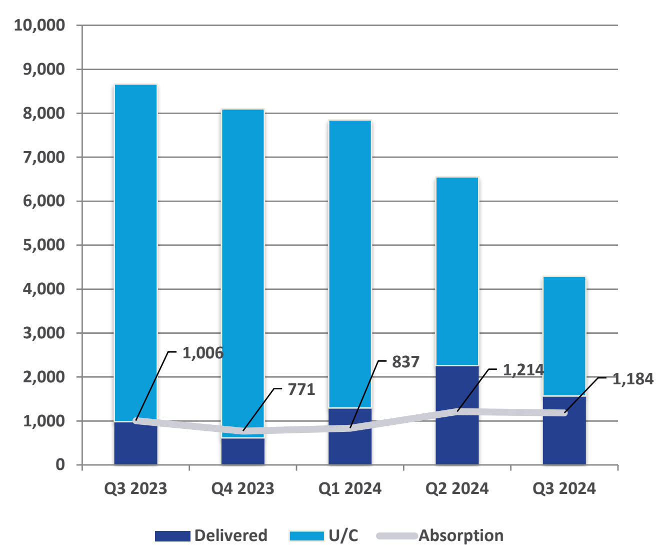
In Q3 2024, the Colorado Springs multifamily market continued growth, with vacancy decreasing 70 basis points to 6.7% and a YOY decrease of 300 basis points. Absorption was down 30 units in Q3, but up 178 units YOY, indicating solid leasing activity with a variety of new deliveries in the market. Construction activity decreased by 1,568 units during the quarter, and 4,957 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, decreasing by $8 per unit to $1,495 during the quarter, but similar to $1,493 during Q3 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
3504 Van Teylingen Dr	Colorado Springs	$41,350,000	192	$215,365	Newbrook Capital Properties
2625 E Willamette Ave	Colorado Springs	$5,020,000	40	$125,500	Margarita Salcedo Hart
505 E Arvada St	Colorado Springs	$3,639,500	29	$125,500	Margarita Salcedo Hart
3925 E San Miguel St	Colorado Springs	$1,525,000	16	$95,313	CO Holdings

Source: CoStar

Northern Colorado

Multifamily 24Q3

Highlights

- Vacancy rate is down to 5.5%, a 40 basis point decrease in Q3 and a 230 basis point decrease YOY.
- Absorption increased to 374 units, up 73 units during the quarter and 56 units YOY.
- Lease rates are down to $1,581, a decrease of $31 during Q3 but up $13 YOY.

Vacancy Rate	YOY	FORECAST
5.5%	▼	▲

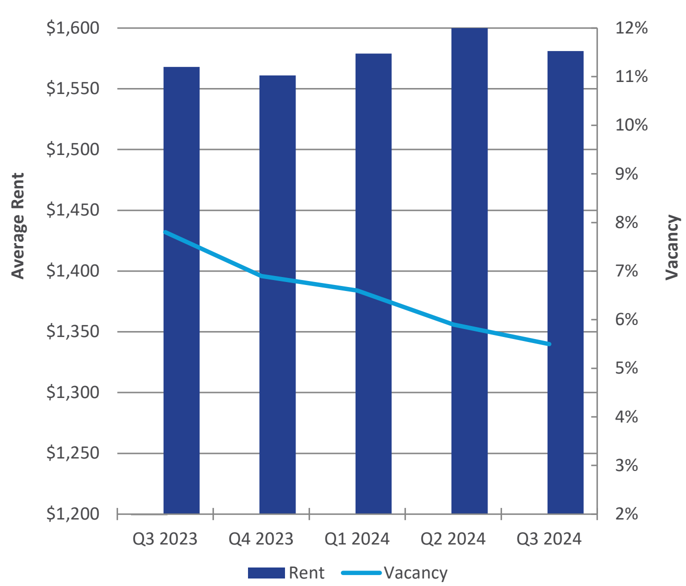
Net Absorption	YOY	FORECAST
374 units	▲	▼

Under Construction	YOY	FORECAST
344 units	▼	▼

Asking Lease Rates	YOY	FORECAST
$1,581	▲	▲

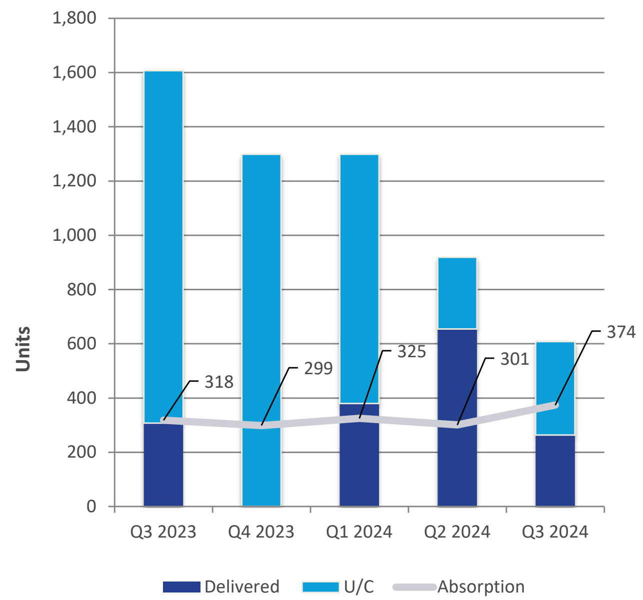
During Q3 2024, the Northern Colorado market continued to grow, with vacancy decreasing to 5.5%, down 40 basis points during the quarter and 230 basis points YOY. However, vacancy is projected to grow, with new deliveries and no shift in demand. Absorption increased to 374 units, up 73 units during the quarter and 56 units YOY, continuing 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 increased, with 344 units under construction during Q3. That is up 80 units during the quarter but down 955 units YOY. Lease rates, however, decreased during the quarter but are expected to increase for the remainder of 2024 and into 2025. Effective rent ended Q3 at $1,581, down $31 during the quarter but up $13 YOY. Although renters are uncertain about the state of the economy, the Northern Colorado market remains strong heading towards 2025.

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
3521 Stanford Rd	Fort Collins	$120,000,000	405	$296,296.30	Roundhouse

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

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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