

# MULTIFAMILY

## 2023 Market Report: Denver-Metro

VACANCY RATE

▲ 8.3%

AVG RENTAL RATE (UNIT)

▲ \$1,793

UNITS SOLD

▼ 9,543

NET ABSORPTION

▼ 7,785



UNDER CONSTRUCTION UNITS

▼ 28,818

AVG. CAP RATE

▲ 4.9%

Note 1 : arrows indicate change from previous years unless otherwise specified.

### Denver-Metro 2023 Market Summary

Class	Sales Vol	12 Mo Sales Vol Growth	Number of Sales	Units Sold	Market Sale Price/Unit	Market Cap Rate	Avg Transaction Price/Unit	Avg Transaction Cap Rate	Effective Rent/Unit
A	\$2.1B	-25.4%	21	5,707	\$376,465	4.7%	\$361,594	4.9%	\$2,025
B	\$504M	-74.6%	34	2,145	\$260,865	5.0%	\$286,753	5.1%	\$1,609
C	\$297M	-67.4%	101	1,691	\$201,921	5.5%	\$186,106	5.4%	\$1,291

### Denver-Metro Top Sales 2023

Property Information					Sale Information		
Property Name/Address	Class	Year Built	Units	Vacancy	Sale Date	Price	Price/Unit
Zia Sunnyside 4055 Inca St.	A	2020	434	7.8%	October 2023	\$161,000,000	\$370,967
Legend Oaks Apts 1250 Dayton Ct.	A	1997	488	4.1%	September 2023	\$151,200,000	\$309,856
The Seasons of Cherry Creek 3498 E Ellsworth Ave.	A	1987	587	7.0%	July 2023	\$225,000,000	\$383,304
Modera Art Park 3299 Brighton Blvd.	A	2021	417	13.9%	July 2023	\$182,000,000	\$436,450

## Submarket Rents

		Asking Rents				Effective Rents					
No.	Market	Per Unit	Per SF	Rank	Year Growth	Per Unit	Per SF	Rank	Year Growth	Conce ssion	Rank
1	Aurora	\$1,708	\$1.97	18	3.7%	\$1,695	\$1.96	17	3.9%	0.8%	13
2	Broomfield	\$1,907	\$2.04	14	0.1%	\$1,891	\$2.02	14	-0.1%	0.8%	12
3	Clear Creek County	\$1,671	\$2.61	1	10.0%	\$1,670	\$2.60	1	10.8%	0.1%	19
4	Downtown Denver	\$1,952	\$2.50	2	-1.3%	\$1,926	\$2.46	2	-1.5%	1.3%	3
5	DTC/Southeast Corridor	\$1,991	\$2.15	4	0.8%	\$1,976	\$2.14	4	0.5%	0.7%	16
6	East Denver	\$1,825	\$2.10	8	2.0%	\$1,804	\$2.07	8	1.9%	1.2%	6
7	Elbert County	-	-	-	-	-	-	-	-	0.0%	-
8	Englewood/Littleton	\$1,670	\$2.03	15	1.7%	\$1,650	\$2	15	1.1%	1.2%	5
9	Gilpin County	\$1,535	\$1.86	19	8.0%	\$1,523	\$1.84	19	7.7%	0.8%	14
10	Glendale University	\$1,595	\$1.98	17	1.9%	\$1,579	\$1.96	18	1.6%	1.0%	7
11	Highlands Ranch-Lone Tr	\$2,064	\$2.14	5	2.7%	\$2,045	\$2.12	5	2.4%	0.9%	10
12	Lakewood/West Corridor	\$1,740	\$2.06	11	1.5%	\$1,724	\$2.04	10	1.1%	1.0%	9
13	North Jefferson County	\$1,836	\$2.12	7	0.8%	\$1,823	\$2.10	7	0.8%	0.8%	15
14	Northeast Adams County	\$1,716	\$2.07	10	3.5%	\$1,701	\$2.05	9	3.5%	0.9%	11
15	Northwest Adams County	\$1,735	\$2	16	1.8%	\$1,718	\$1.98	16	1.5%	1.0%	8
16	Outlying Arapahoe County	\$2,177	\$2.13	6	0.8%	\$2,163	\$2.11	6	1.3%	0.6%	17
17	Park County	-	-	-	-	-	-	-	-	0.0%	-
18	South Adams County	\$1,604	\$2.07	9	-0.4%	\$1,578	\$2.04	11	-0.6%	1.6%	1
19	South Douglas County	\$1,974	\$2.06	12	0.6%	\$1,945	\$2.03	13	0.0%	1.5%	2
20	South Jefferson County	\$1,964	\$2.04	13	1.2%	\$1,955	\$2.03	12	1.4%	0.4%	18
21	West Denver	\$1,832	\$2.33	3	0.1%	\$1,810	\$2.30	3	-0.2%	1.2%	4

## Submarket Vacancy and Absorption

		Vacancy			12 Month Absorption			
No.	Market	Units	Percent	Rank	Units	% of Inv	Rank	Construc Ratio
1	Aurora	2,691	7.30%	13	178	0.5%	13	2
2	Broomfield	783	8.00%	14	452	4.6%	5	1.3
3	Clear Creek County	3	1.70%	1	12	6.4%	17	-
4	Downtown Denver	5,702	9.90%	18	1871	3.2%	1	1.4
5	DTC/Southeast Corridor	742	5.50%	4	51	0.4%	15	-
6	East Denver	1,648	8.30%	16	1064	5.3%	2	0.5
7	Elbert County	15	5.60%	5	0	0.0%	-	-
8	Englewood/Littleton	851	6.60%	8	173	1.3%	14	0.8
9	Gilpin County	12	7.00%	12	(5)	-2.9%	21	-
10	Glendale University	1,587	6.70%	10	207	0.9%	12	-
11	Highlands Ranch-Lone Tr	1,096	10.00%	19	384	3.5%	8	1.8
12	Lakewood/West Corridor	1,507	6.10%	7	442	1.8%	6	1.2
13	North Jefferson County	840	6.70%	9	225	1.8%	11	1.2
14	Northeast Adams County	687	8.50%	17	400	4.9%	7	0.8
15	Northwest Adams County	1,589	8.00%	15	268	1.4%	10	1.2
16	Outlying Arapahoe County	14	5.20%	3	6	2.1%	18	-
17	Park County	0	5.60%	6	0	0.0%	-	-
18	South Adams County	1,018	19.10%	21	359	6.8%	9	2.1
19	South Douglas County	2,012	16.00%	20	858	6.8%	4	1.7
20	South Jefferson County	236	4.80%	2	17	0.3%	16	-
21	West Denver	1,281	6.70%	11	882	4.6%	3	0.6

# SECTOR OVERVIEW

The metro Denver region encompasses seven counties along the Front Range of Colorado and has a population nearing 3 million. The region's population has grown by 11.5% over the past decade, compared to the national benchmark of 5.5%. The region is expected to grow at a slower but steady pace over the next 10 years. Denver's highly educated workforce, a globally connected airport, and low-tax environment have made the metro a hub for job creation. The region is home to 10 Fortune 500 Companies, including Arrow Electronics, DISH Network, and DaVita.

Demand appears to be stabilizing in the Denver market following years of volatility. Absorption in both the second and third quarters amounted to just over 2,000 units each, and these quarterly figures are largely on pace with what was typical between 2015 and 2019. Demand in recent quarters has fallen off from the highs experienced in 2021, when absorption averaged roughly 3,000 units per quarter, but represents an improvement from the trough in 22Q4, when just 550 units were absorbed, the lowest on record in the past decade.

All apartment classes in Denver continue to face headwinds for various reasons. With 11,000 units delivered in the past 12 months, the luxury segment is competing with properties in lease up, eroding property manager's ability to raise rates. Over the last 12 months, annual rent growth in Class A assets retreated from 13.1% to 0.5%.

Denver consistently ranks among top metros nationally in terms of construction activity. Roughly 29,000 apartment units are under construction, down from the recent high observed in the first quarter of this year when over 37,000 units were underway. While construction activity is still running hot, new construction starts have recently plummeted as developers find it increasingly difficult to obtain financing for new projects. Just over 2,200 units broke ground in the past six months, down from 8,800 units that began construction in the second half of 2022.

High-profit deals, which were largely absent through the first half of the year, have returned to the Denver investment market. Since the end of the second quarter, five properties closed with a sale price above \$100 million. Only one traded property exceeded this threshold earlier in the year. The increased sales activity at the top end of the market boosted sales volume in the Denver multifamily market to \$950 million in 23Q3. While this is down by about 44% from the prior quarterly five-year average, it's a marked improvement from earlier in the year, when deal volume amounted to \$497 million in the first quarter and \$403 million in the second quarter.

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**Michelle Glass**

303-868-0011

MichelleDirect@kw.com

GlassPropertiesGroup.com

3550 W 38th Ave.

Suite 20

Denver, CO 80211

# Glass Properties Group

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**MICHELLE GLASS**

Senior Real Estate Advisor | Broker  
303-868-0011  
Michelledirect@W.com



**TANERRA DOOLEY**

Broker Assistant of Operations  
(217) 303-1004  
tanerradooley@kw.com



**AMY BROWN**

Transaction Coordinator  
720-212-4527  
Amy@TC-Results.com



**KRISHSIA ALINIO**

Executive Assistant for Michelle Glass  
720-741-0613  
Krishsia@MichelleDirect.com

