MULTIFAMILY

Q1 2024 Market Report: Denver-Metro

VACANCY RATE
▲ 9.0%

AVG RENTAL RATE (UNIT)
▲ $1,830

UNITS SOLD
▲ 3,798

NET ABSORPTION
▼ 7,918

UNDER CONSTRUCTION UNITS
▼ 26,250

AVG. CAP RATE
▲ 5.1%

Note 1: The data used in this report is first quarter (1/1/24 - 3/31/24)
Note 2 : arrows indicate change from previous years unless otherwise specified.

Denver-Metro Q1 Market Summary

Class	Sales Vol	Number of Sales	Units Sold	Market Sale Price/Unit	Market Cap Rate	Avg Transaction Price/Unit	Avg Transaction Cap Rate	Effective Rent/Unit
A	$497M	30	1,254	$201,457	5.7%	$201,072	5.7%	$2,063
B	$140M	9	865	$256,839	5.2%	$259,128	5.4%	$1,641
C	$548M	7	1,679	$370,205	4.9%	$326,489	5.7%	$1,310

Denver-Metro Top Sales Q1

Property Information					Sale Information		
Property Name/Address	Class	Year Built	Units	Vacancy	Sale Date	Price	Price/Unit
Commons Park West 1550 Platte St.	A	1999	339	8.6%	January 2024	$145,500,000	$429,203
Windsor Townhomes and Apartments 8153 W Eastman Pl.	A	1997	352	7.1%	February 2024	$124,250,000	$352,982
Prospector Modern Apartments	A	2022	238	20.2%	February 2024	$75,000,000	$315,126

SECTOR OVERVIEW

Demand for Denver apartments has returned, but the market is facing one of the most active pipelines in the country that continues to put upward pressure on the vacancy rate, which has increased from the most recent low of 5.6% in mid-2021 to 9.0% in 24Q1. The imbalance will likely continue to suppress rent growth in the coming year, particularly in areas of the metro where scheduled net deliveries as a percentage of inventory runs high. The impact of Denver's active pipeline will vary across the market. In an encouraging sign for owners and property managers, demand has returned in the middle-tier segment, which was hit hardest by rising rent and inflation. However, vacancies are rising fastest in this segment as the rebound in demand still falls short of the near-record number of units delivering in this category. The middle-tier market pipeline is dispersed across the metro, which should lessen the impact on any one area.

Renters who qualify for high-end apartments are typically in a better position to absorb high housing costs, and these renters are driving demand for the broader multifamily market. While demand has held up best at the top end of the market, 70% of Denver's pipeline is in the luxury category. Vacancies may not be rising fastest at this price point, but they remain the most elevated at 11.5%. The luxury pipeline is heavily concentrated in Downtown Denver, one of the only submarkets in the metro to see rents contract on an annual basis.

Rent growth typically falls off in the later months of the year due to seasonality, but the decline was particularly pronounced in the past year due to a wave of supply delivering to the market. Local landlords and property managers are focused on shoring up renewals, as these rates are typically higher than what could be replaced in the current competitive environment. Deal flow is down by about 40% from the prior quarterly five-year average as higher borrowing costs and stricter lending standards have made potential investment opportunities less attractive. Denver's active construction pipeline and waning population growth remain a top concern for potential investors. Some newer assets are still achieving peak pricing per unit, though the buyer pool for these assets is reportedly not nearly as deep as it was 18 months ago. Cap rates bottomed out late last year at about 4% and since then have been on the rise. Most institutional assets are now trading in the low 5% range or higher.

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GLASS PROPERTIES GROUP

KW COMMERCIAL

Michelle Glass

303-868-0011

MichelleDirect@kw.com

GlassPropertiesGroup.com

3550 W 38th Ave.
Suite 20
Denver, CO 80211