

# INVESTMENT FORECAST

Multifamily  
Denver

IPA


INSTITUTIONAL  
PROPERTY  
ADVISORS


2022

## Newly Untethered Workers Arrive; Competitive Bidding Pressures Sales Prices

**Arrival of coastal firms bolsters outlook for rents and vacancy.** The Mile High City provides business-friendly policies and access to a skilled workforce at a lower cost than coastal cities. The health crisis accelerated the movement of tech firms to Denver as many companies chose to follow renter demand into less dense cities. In addition, Denver is more in line with coastal culture than competing markets, a motivating factor for software developer Palantir's move. Vacancy rates in urban Denver spiked when COVID-19 lockdowns began but have recovered beyond pre-pandemic levels without siphoning demand from suburban neighborhoods. Entering this year, all submarkets had vacancy rates below 4 percent besides downtown, which sat at 4.1 percent. The majority of 2022 construction will open downtown; however, in-migration will push rental demand above supply this year, putting upward pressure on rents across the metro. High-income job opportunities opening up in Highlands Ranch and Lone Tree should boost Class A renter demand in the southern portion of the metro.

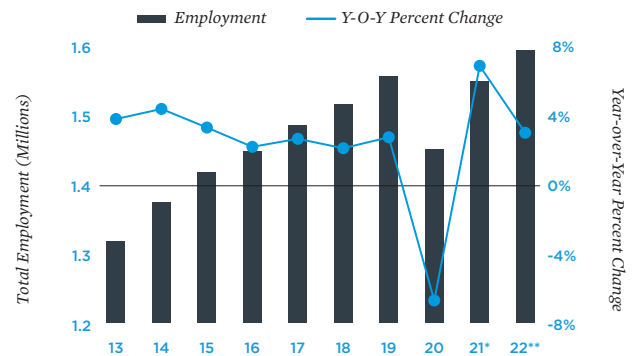
**Institutions target assets downtown and along public transit routes.** Sales volume in downtown is robust as institutional and international investors compete for properties in the city center. Entry costs for Class A assets in the core are experiencing explosive growth as low vacancy and consistent rent increases draw investors willing to accept cap rates in the mid-3 percent range. LoDo and Uptown continue to be the most active investor markets; however, a sizable number of trades also occur near Coors Field and in the affluent Capitol Hill neighborhood. Outside the core, West Denver remains a highly liquid sales market, driven by the area becoming more desirable to renters and thus investors. West Colfax is a targeted location, due to renewal efforts in recent years. This rejuvenation has now extended into other West Denver neighborhoods, like Jefferson Park and LoHi. Entry costs here are similar to those recorded in the core but can dip below market average in less developed areas south of Colfax Avenue. Transactions exceeding \$20 million are also occurring with more frequency heading into this year in Arvada, Northglenn, and the Denver Tech Center-Centennial area. Cap rates near 4 percent are reported on exchanges here as investors look to take advantage of household formation in the suburbs.

**22.8%**  2021 share of local population between 20 and 34 years old

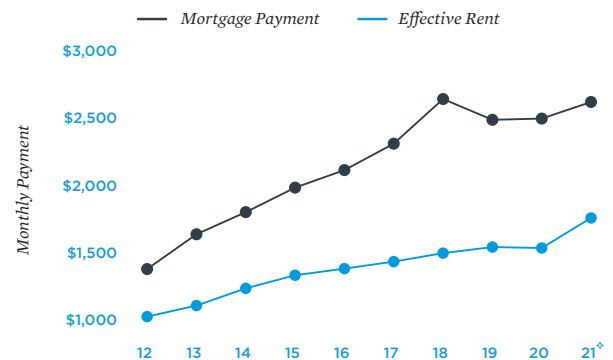
**40.7%**  of local population hold bachelor's degree or higher\*

**\$542,400**  2021 median home price

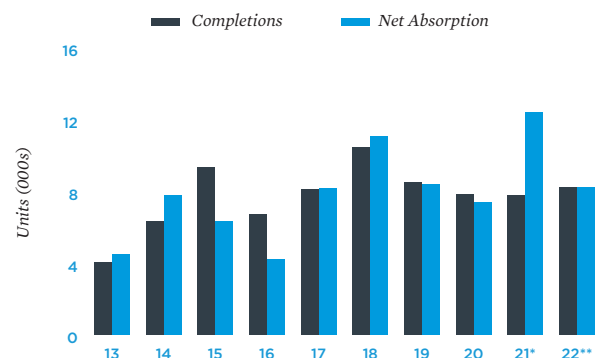
### Employment Trends



### Housing Affordability Gap



### Supply and Demand



\* Estimate \*\* Forecast \* Through 3Q

\*\*2021: 25+ years old

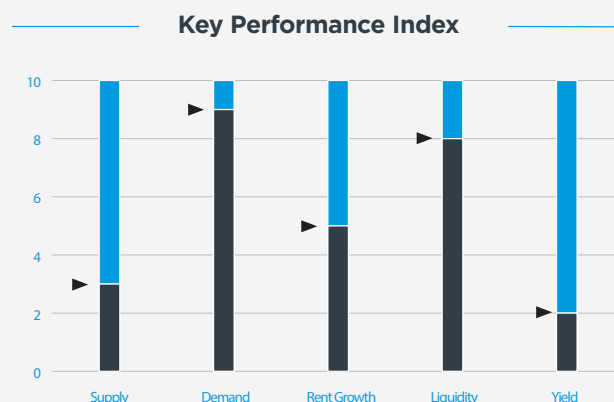
Sources: Marcus & Millichap Research Services; BLS; Freddie Mac; National Association of Realtors; RealPage, Inc.

## 2022 Investment Outlook

Denver maintains an active development pipeline, keeping the supply ranking toward the bottom of the spectrum. At the same time, new rentals are typically absorbed quickly amid strong household creation and population growth, shown by the high demand metric of 9.

The liquidity and yield rankings have not deviated drastically from the Key Performance Index measured prior to the health crisis. Denver continues to support strong levels of trading as local and nonlocal investors deploy capital, supporting a liquidity score of 8.

*Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.*



## 2022 Market Forecast

### Employment

45,000 jobs



**Metro 2.9%**

**U.S. 2.5%**

### Construction

as % of inventory<sup>v</sup>



**Metro 2.6%**

**U.S. 2.2%**

### Class A Vacancy

Down 10 bps



**Metro 3.9%**

**U.S. 3.6%**

### Class A Rent

\$2,168  
per month



**Metro 5.1%**

**U.S. 7.5%**

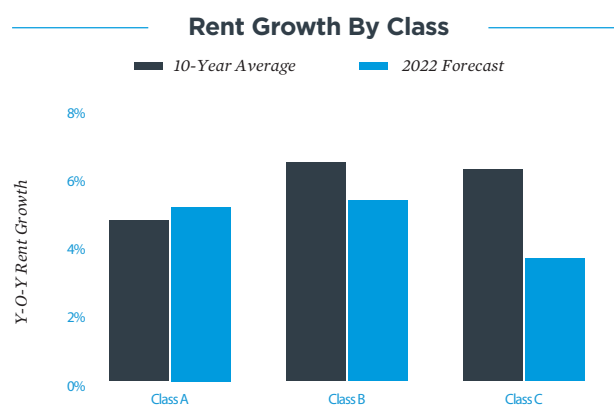
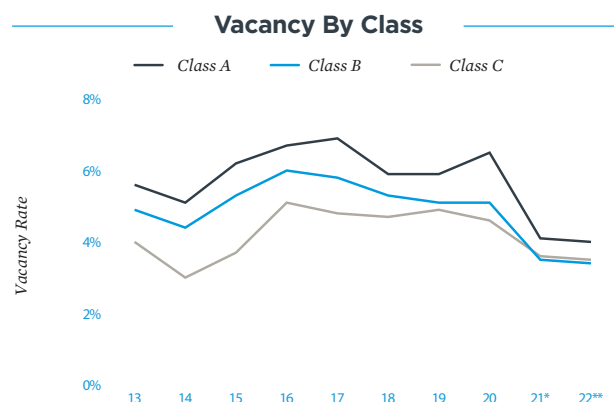
### Investment

3-yr. avg. activity  
\$20+ million



**Deals: 51**

**Volume: \$4.0 Billion**



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\* Estimate \*\* Forecast  
 † Arrow reflects completions trend compared with 2021  
 Sources: Marcus & Millichap Research Services;  
 CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics