MARKET REPORT

Multifamily

Denver Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

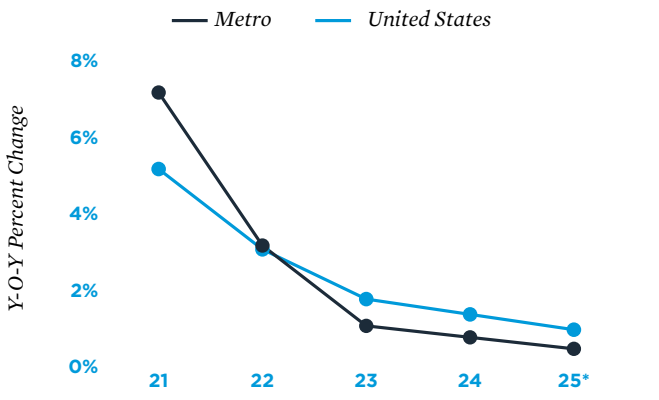
2Q/25

Modern Units See Steady Absorption as Aging Stock Struggles With Retention

Healthy lease-up continues, though incentives persist. Multifamily deliveries in the first quarter of 2025 fell to their lowest total in over a year. The reduction in supply-side pressure aided leasing at existing Class A and B properties, lowering each sector's vacancy rate below 6 percent. Submarkets near major employment hubs, most notably Downtown and the Tech Center, maintained their appeal among higher-income renters. Concurrently, peripheral areas like Southeast Aurora achieved record net absorption in early 2025 alongside elevated completions, signaling pent-up local demand for newer, well-amenitized units. While incentives remained prevalent across the metro as of April, concession usage among higher-end properties has stablized. With deliveries set to further taper, conditions are favorable for a modest rent growth recovery.

Older inventory experiences higher turnover. Renewal conversion rates among Class C buildings have fallen to their lowest level in over a decade. As such, Class C vacancy rose above 6 percent in the first quarter of 2025, reversing the tightening trend observed in the second half of 2024. In response, nearly 30 percent of lower-tier properties were offering concessions as of April — the highest share since early 2021. This segment could face additional strain if labor market conditions continue to soften — specifically in the hospitality, retail and transportation sectors — and more lower-income renters consolidate households amid mounting financial pressures.

Employment Trends



** Forecast*

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Multifamily 2025 Outlook

7,000 JOBS
will be created

EMPLOYMENT:

The metro adds its fewest number of jobs since 2020. Hiring in government and education is expected to hold steady, while the office-using and retail-related sectors have each shed over 5,000 jobs to start 2025.

9,500 UNITS
will be completed

CONSTRUCTION:

Deliveries will fall sharply in 2025 following last year's record tally of 19,000 units. Inventory growth eases to 2.7 percent, aligning with the decade-long average. Southeast Aurora will lead in new supply.

20 BASIS POINT
increase in vacancy

VACANCY:

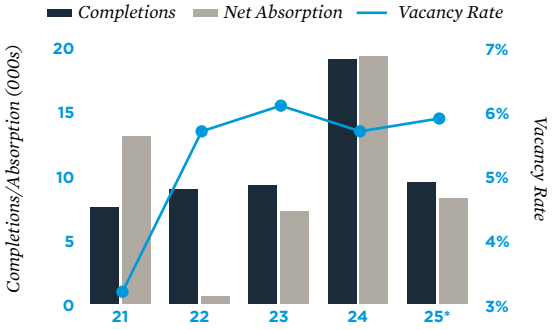
Softening renter demand, particularly among lower-income households, is expected to lift vacancy modestly to 5.9 percent by year-end. Even so, the rate will remain in line with the metro's long-term average of 5.8 percent.

0.9% INCREASE
in effective rent

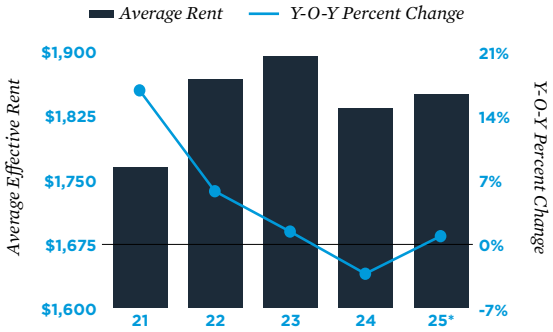
RENT:

With new supply easing and vacancy holding near historical norms, rent growth is expected to resume after last year's decline. The metro's average effective rent is forecast to reach $1,850 per month.

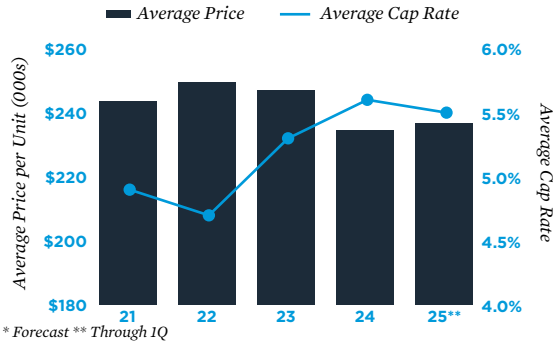
Supply and Demand



Rent Trends



Sales Trends



** Forecast ** Through 1Q*

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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1Q 2025 — 12-Month Period

CONSTRUCTION

18,322 units completed

- Annual completions through March exceeded the prior 12 months by nearly 8,000 units, though early 2025 showed a marked slowdown.
- Northeast and Downtown Denver each added over 3,000 units during the span, pushing local inventory gains above 10 percent. Broomfield, Southeast Aurora and North Aurora each saw around 1,200 rentals delivered.

VACANCY

40 basis point decrease in vacancy Y-O-Y

- Healthy demand over the past year placed vacancy at 5.8 percent in March; however, the rate rose by 10 basis points during the first quarter of 2025.
- Despite double-digit supply growth, vacancy declined in Northeast Denver and Southeast Aurora, while rising just 10 basis points downtown. Broomfield, Thornton and Littleton each saw declines of over 100 basis points.

RENT

4.1% decrease in the average effective rent Y-O-Y

- Denver's mean effective rent fell to $1,807 per month in March, led by a 7 percent drop in Class C rents and smaller declines in Class A and B rates.
- Lower-income submarkets such as Southwest Aurora recorded the steepest rent declines, though high-supply areas also saw notable drops. In contrast, some affluent suburbs like Broomfield experienced little change.

Investment Highlights

- After a strong recovery in late 2024, transaction activity slowed in early 2025 amid ongoing economic uncertainty. While some institutions have acquired new builds near the Tech Center and Englewood, most recent deals have focused on older, central assets. Glendale has become a popular target for investors seeking higher-yielding properties, backed by its dense household base that may help sustain demand amid potential headwinds.
- Northeast Denver may emerge as an investment target. Class A and B vacancy here fell by more than 50 basis points over the year ended in March. The area will also lead the metro's supply slowdown, with roughly 4,000 fewer units slated for delivery in 2025 than in 2024. Investor interest may grow further as a Philip Morris facility opens here in late 2025. The factory will support up to 500 full-time jobs and reinforce local rental demand.
- The Five Points-Capitol Hill-Cherry Creek submarket reestablished itself as the top multifamily investment hub in 2024. Momentum carried into early 2025 amid demand for 10- to 20-unit assets. With relatively limited new supply in recent years and Class C vacancy below 6 percent — lower than rates in higher-tier stock — private buyers will likely stay active here.