

INVESTMENT FORECAST

Office
Denver Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Historic Multifamily Expansion Boosts Denver's Retail Market as Tenants Navigate Tight Supply

Surging population attracts retailers to key corridors. Denver's largest population gain since 1999 drove record multifamily net absorption last year, with over 20,000 units leased. This growth should maintain tenant demand in residential submarkets like Cherry Creek and Aurora, where retail vacancy remains near all-time lows. Limited completions this year should keep vacancy tight and support modest rent gains. Downtown vacancy may continue declining after falling for a second straight year in 2024. In these areas, service-oriented tenants such as health care providers, salons and restaurants are expected to drive leasing at high-traffic shopping centers and mixed-use developments. Expanding Northeast and Southeast suburbs should see sustained demand from necessity-driven and experiential retailers, keeping vacancy near record lows. Though Southwestern cities like Littleton and Lakewood have lagged amid slower residential growth, grocery stores and fitness centers backfilling recently vacated spaces — spurred by affluent demographics — are set to strengthen fundamentals.

Leasing momentum broadens investment opportunities. Northwestern suburbs, such as Broomfield and Arvada, are likely to stay prime investment targets after posting record-high multifamily absorption last year. This population growth should sustain demand for necessity-oriented retail like auto repair shops and convenience stores. Restaurant leasing reaching post-pandemic highs in 2024 may also draw more buyers to these properties. Meanwhile, tight vacancy is expected to drive institutional investment in modern neighborhood and power centers, which saw their highest leasing activity since 2021 last year. Recent expense volatility, however, could push some investors toward net-leased assets, such as grocery and sporting goods stores.

2025 MARKET FORECAST

+1.0%



EMPLOYMENT: With 17,000 positions added, job growth remains at half the metro's long-term average. Denver's unemployment rate, among the nation's 10 highest in early 2025, could aid hiring.

220,000
sq. ft.



CONSTRUCTION: Following last year's delivery slate, the smallest since at least 2007, completions will slow further to less than one-fifth of the metro's long-term annual average.

-10 bps



VACANCY: Limited new supply and steady net in-migration will help vacancy fall. At 4.1 percent, Denver will have the second-lowest rate of major markets in the western half of the U.S.

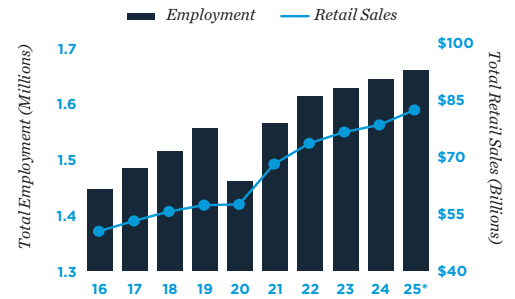
+1.9%



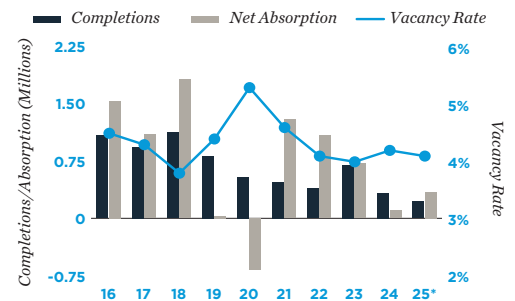
RENT: After last year's decline in asking rents, tightening vacancy should support modest growth, bringing the metro's average rate to \$20.80 per square foot by year-end.

INVESTMENT: Among western submarkets with at least 5 million square feet of inventory, Aurora and Southeast Denver have the tightest single-tenant sectors with vacancy below 2 percent, likely attracting investors.

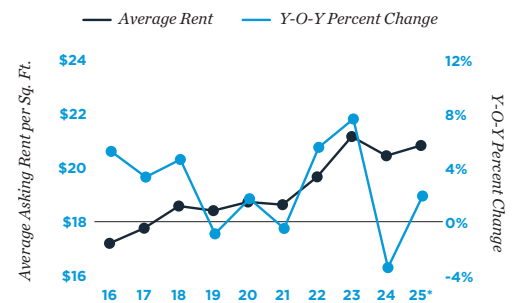
Economic Trends



Supply and Demand



Rent Trends



* Forecast

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.