Market Report

MULTIFAMILY 2Q/26

Denver Metro Area

Demographic Shifts Drive More Selective Capital Deployment and Smaller Deal Activity

Migration outflows temper household formation. Population growth has decelerated, rising just 0.3 percent year-over-year as of March 2026, equating to roughly a 9,000-resident increase. This is largely tied to weaker migration trends, as the metro recorded net out-migration in 2025, contributing to a moderation in household formation, which expanded by 0.8 percent. These headwinds are driven by the relocation and downsizing of manufacturing, energy, financial, and tech firms. This limits blue- and white-collar job growth, as expansion moves elsewhere, constraining future job creation and tempering multifamily tenant demand, particularly in workforce housing segments.

Downward pressure across the market is uneven. With outward migration, performance diverged by asset class. Class B vacancy increased the least, supported by relatively durable demand from middle-income renters. While the Class A segment saw a slightly larger rise in vacancy, it has maintained the most pricing stability, posting the smallest year-over-year rent decline as of March. However, Class C vacancy rose the most and now stands as the highest among quality tiers. This shift is likely tied in part to reduced international migration, which has impacted workforce housing demand, particularly in eastern submarkets.

2026 FORECAST

EMPLOYMENT

3,000 Jobs will be created

0.2% Increase Y-O-Y

CONSTRUCTION

6,000 Units will be added

1.7% Inventory increase Y-O-Y

VACANCY

6.6% Vacancy rate

60 BPS decrease Y-O-Y

RENT

$1,763 Average effective rent by year-end

2.1% Increase Y-O-Y

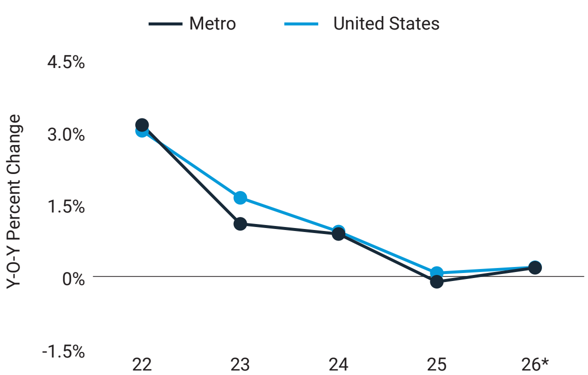
EMPLOYMENT

Hiring has weakened notably, with the metro recording a net loss of nearly 8,000 jobs over the year ended March 2026. Despite this contraction, the unemployment rate declined, suggesting a concurrent reduction in the labor force. Job losses were broad-based, with education and health services the lone area of expansion, adding nearly 10,000 positions. This growth is likely to continue, supported by ongoing healthcare investment, including the rebuilding of the Sam Sandos Westside Family Health Center.

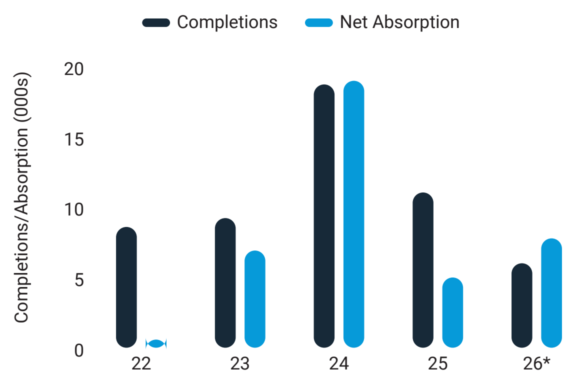
CONSTRUCTION

Construction activity is expected to taper, with development concentrated in a handful of submarkets. Northeast Denver, Parker-Castle Rock, and Broomfield are projected to account for roughly 40 percent of ongoing construction, while Littleton and southeast Denver, along with Parker-Castle Rock, are seeing the largest annual increases in activity compared to 2025. In contrast, areas such as southeast Aurora, downtown, and northeast Denver are experiencing the most notable pullback in development.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



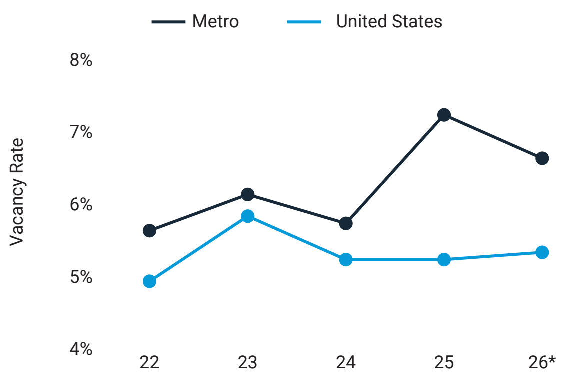
* Forecast

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

VACANCY

As of March 2026, vacancy remained the lowest in Littleton and southeast Denver. Littleton posted the tightest Class C vacancy at 3.9 percent, while southeast Denver recorded a Class B vacancy rate of 4.1 percent. However, these submarkets may face near-term pressure from new supply. Though elevated due to 2025 development, vacancy in the Tech Center could improve in 2026 as construction tempers. Relief could be short-lived, however, as development reaccelerates after 2026.

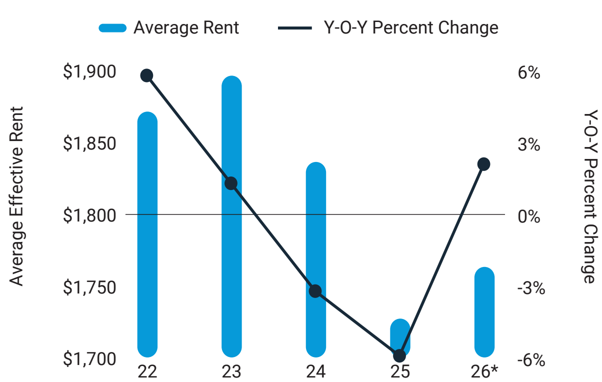
VACANCY TRENDS



RENT

Metrowide, the average effective rent has declined, though performance varied by submarket and asset class. Class A properties represent a relatively bright spot in select areas, with rents increasing by approximately 11 percent in Broomfield, 8 percent in Littleton, and 7 percent in Highlands Ranch. The Tech Center has also posted modest gains, with Class A rents rising about 3 percent. This resilience is likely to be carried later into 2026 as the construction pipeline contracts.

RENT TRENDS



INVESTMENT HIGHLIGHTS

- The average price per unit continued its steady decline as of March 2026, falling roughly 8 percent since 2022. In tandem, cap rates trended upward, expanding by about 100 basis points over the same period. Trading activity has edged higher, supported by a roughly 12 percent increase in deals below $20 million. However, larger transactions have pulled back, with trades above $20 million declining by 20 percent. This shift indicates growing participation from private investors, while institutional buyers remain more selective, accounting for only about 18 percent of the past year's activity.

- Downtown and Lakewood accounted for about 40 percent of trading activity. In Lakewood, deals skewed toward the north, concentrated in Class C, despite this tier noting the largest vacancy increase metrowide. North Lakewood vacancy rose in 2025 amid elevated deliveries, but a lighter 2026 pipeline should ease pressure. Downtown shows a similar pattern, with most trading in Class C, the only class to record vacancy compression here. Transaction momentum may soften as corporate outmigration weighs on demand.

- Northeast Denver and Aurora contributed about 17 percent of trading activity in the year-end March 2026. However, recent industrial expansion could bring more activity to these submarkets. Large projects such as the PepsiCo 1.2 million-square-foot factory, the Phillip Morris 800,000-square-foot Zyn factory, and other industrial developments could aid manufacturing- and transportation-related job growth, supporting tenant demand for Class B and C properties.

SALES TRENDS

* Forecast ** Through 1Q

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

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