

# Multifamily Metro Outlook:

## Denver - Q1 2021

### Overview:

- After grounding to practically a standstill last quarter, Denver's recovery rebounded to begin the first quarter of the year – and at a faster pace than most metros. Denver's plethora of outdoor attractions combined with increasing vaccination rates have resulted in employment growth of slightly over 1.1%.
- The metro's access to the outdoors, in addition to the ever-increasing popularity of remote work has also made it a popular destination for relocation. In turn, the vacancy rate ticked down 25 bps from the last quarter to 6.5%. It should also be mentioned the vacancy rate is almost a full 25 bps lower compared to the same time last year.
- Much of this is reflective of the high concessions that landlords continue to offer – most prominent among Class A properties, which increased to 8.1% in the quarter.

### Market Strengths:

- Denver's emergence as a bona fide tech market has helped insulate the metro from some of the impact to the leisure and hospitality industry; 7.7% of employment in the metro is concentrated in high-tech, exceeding the national average of 5.3%.
- Though business costs have risen in recent years, at just 4% higher than the national average, Denver retains a cost advantage over traditional coastal tech hubs. It is expected that high-tech payrolls will regain their prerecession peak in less than a year, and the metro's numerous avenues of high-tech job growth will ensure that the sector outperforms over the long term.

### Market Weaknesses:

- Denver's energy industry is experiencing significant price volatility; oil prices have already plunged to levels not seen in more than 18 years. Energy companies in the metro are facing a dual threat from excess supply concentrated overseas, and lacking demand stemming from coronavirus restrictions.

### Development:

- Slightly more than 17,000 units are underway in Denver, placing development activity in the metro amongst the top 10 in the country and what's more is that permits are being filed at rate twice faster than the national average. While this would appear to present supply risks near-term, population growth in the metro is expected to exceed 5.5% over the next five years, which should offset any significant easing.
- However, it should be mentioned much of the development in the pipeline remains concentrated in Class A properties, and as such these properties have a higher propensity to offer rent concessions and do not provide sufficient capacity to increase rents. This shouldn't present any additional risk considering the cost barriers of single-family housing in the metro still make multifamily an attractive alternative.
- As a share of the total construction pipeline, condos comprise about 12.5% of the multifamily development in Denver – trending lower than the national average by about 130 bps.

### Outlook:

- Multifamily Outlook: Lagging. Denver's relatively low caseloads, and plethora of outdoor leisure activities have provided a fair amount of consistency throughout the pandemic but has come at the cost of an exponential rise in home prices. However, rent growth in the apartment market has moderated alongside elevated levels of constructions, offering an attractive alternative to residents considering the metro – especially among Class A units, which tend to appeal most to high-wage renting demographics.
- Economic Environment: Stable. Denver's economy will rebound quickly and stronger, thanks to a highly educated population and large workforce that will help the metro to surpass pre-pandemic levels before the rest of the nation. The full return to normalcy, backed by the significant share of high-income households in the area should allow the leisure and hospitality sector to outperform over the rest of the year.

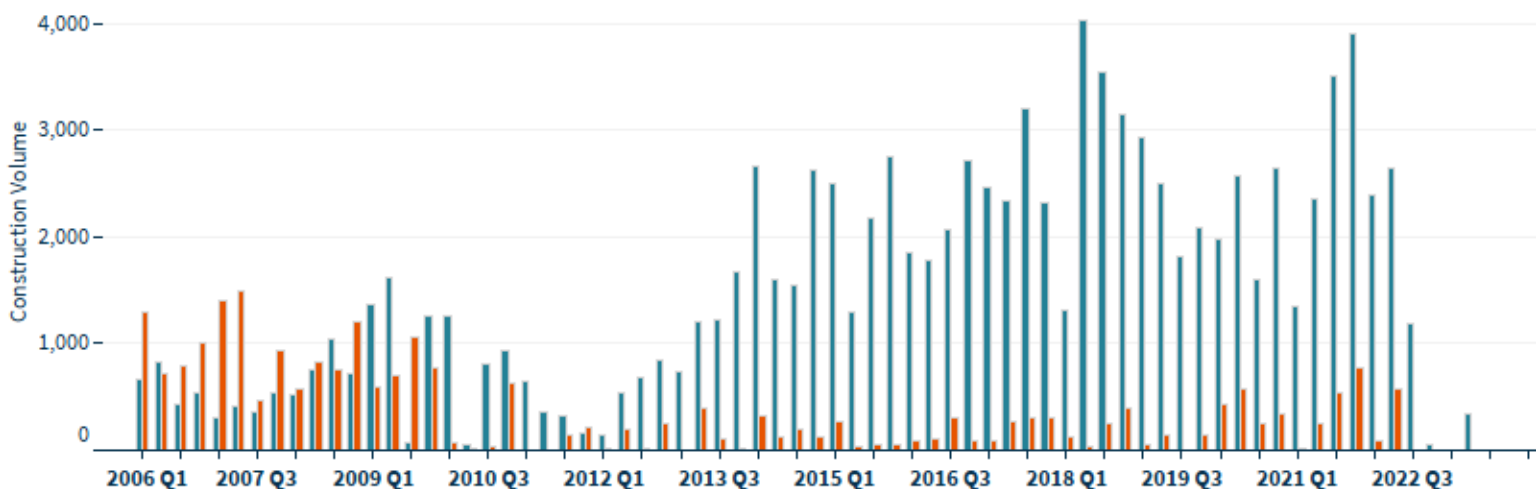
## Five Year Metro Area Growth Forecast

	2020	2025	Denver (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (000s)	3,018	3,181	1.06%	0.52%
Households (000s)	1,152	1,282	2.17%	1.41%
Renting Cohort (Ages 20-34) (000s)	685	723	1.08%	-0.26%
Total Employment (000s)	1,495	1,688	2.45%	1.71%
Median Household Income	\$85,525	\$98,949	2.96%	2.83%
Median SF Home Price	\$522,546	\$524,923	0.09%	4.30%
Net Migration	14,279	18,759		

## SupplyTrack Pipeline

### Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



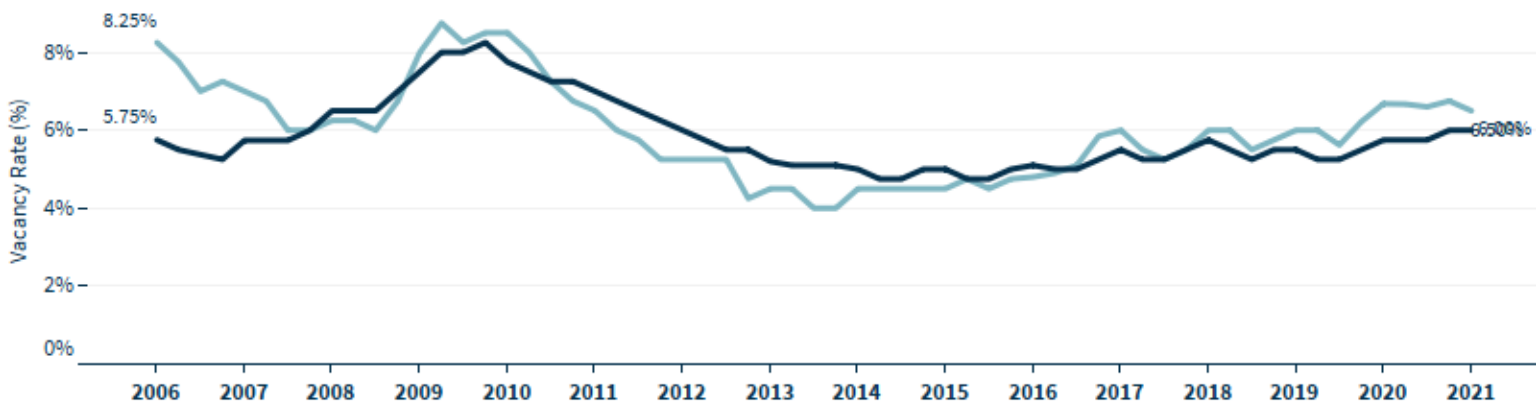
## Vacancy & Rent Composite Estimates

### Vacancy Rates

Denver | National

Q1 2021 Vacancy Rate:

6.50%

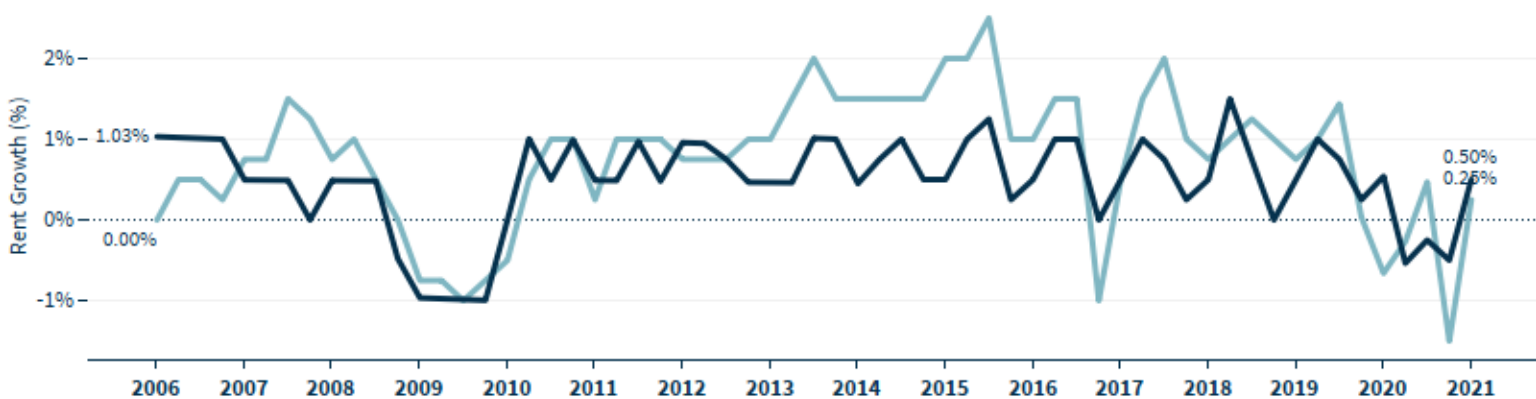


### Asking Rent Growth

Denver | National

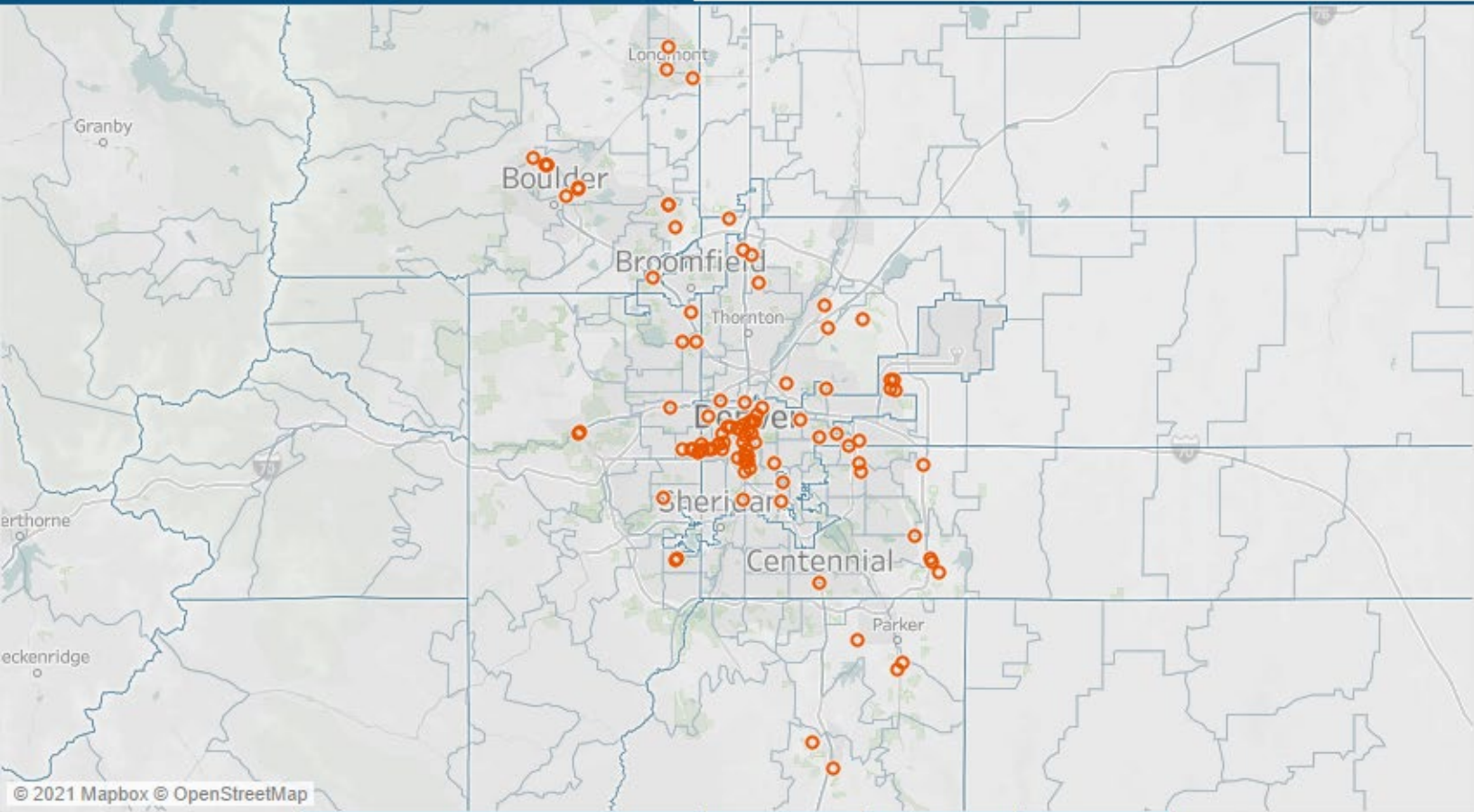
Q1 2021 Asking Rent:

\$1,500



Source: Multifamily Economics and Research

## Construction: Bidding & Underway



<i>Sub-Market</i>	<i>Projects</i>	<i>Units</i>	<i>Sq. Ft. (M)</i>
Arvada/Golden	2	72	0.11M
Boulder	11	1,052	0.59M
Broomfield	5	1,528	1.64M
Downtown/Highlands/Lincoln Park	15	1,964	2.37M
Five Points/Capitol Hill/Cherry Creek	12	2,144	2.63M
Glendale	2	472	0.56M
Littleton	2	652	0.65M
Longmont	3	397	0.51M
North Aurora	3	924	1.08M
North Lakewood/Wheat Ridge	9	1,706	1.66M
Northeast Denver	17	3,337	3.98M
Parker/Castle Rock	5	529	0.82M
South Denver/Englewood	2	310	0.33M
South Lakewood	1	43	0.07M
Southeast Aurora/East Arapahoe County	6	564	0.71M
Southwest Aurora	2	516	0.47M
Tech Center	1	215	0.22M
Thornton/Northglenn	2	505	0.33M
Westminster	2	356	0.43M
<b>Grand Total</b>	<b>102</b>	<b>17,286</b>	<b>19.15M</b>

## Multifamily: ESR Team

*We welcome your feedback! Please give us a call or send an email with any comments, suggestions, or insight you may have or information you'd like covered in future editions.*

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## Multifamily Economics and Market Research Team

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### Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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