Fannie Mae

Multifamily Metro Outlook:

Denver – Q1 2024

Overview:

- Denver's economy continues to be strong. The labor force is still performing well but has sightly dipped over the past few years as unemployment increased 0.9 points year over year to 4.2%, which is still below the national average of 3.5%. What's more is that incomes in the metro, which averaged $97,000 as first quarter 2024, are considerably above the national average, allowing the metro to better resist inflationary pressures building around the country.
- New apartment supply continues to be added to the market, with an additional 26,454 under construction with 22,015 of those scheduled to complete in the next four quarter
- Denver's demand regaining solid footing with demand gains during 2023. Denver's inventory is set to grow by roughly 25,000 units or about 7.5% in 2024 which could be the highest level seen to date by a wide margin. Vacancy rates have modestly increased to 7.0%in first quarter 2024 compared to 6.0% a year ago. The supply-demand temporary imbalance will likely continue to suppress rent growth in the coming year particularly in areas of the metro where scheduled net deliveries as a percentage of inventory runs high.
- Signs of a slight decline in demand can be seen in asking rent growth, which has occasionally decreased slightly over past several quarters quarter and now sits at approximately $1,800.

Market Strengths:

- Denver has strong demographics with the metro's 20- to 34-year-old cohort, a critical component of the apartment market, growing 5.7% from 2017 to 2022 compared to 1.6% growth nationally. Young adults also make up 22.8% of the total population which is larger than the national norm of 20.4%. In addition, 47.2% of Denver's working age population holds a bachelor's degree or higher compared to 34.3% nationally.
- Denver International Airport plays a vital role as a domestic hub and ranks among the top 10 busiest airports in the world. Passenger traffic at the airport has rebounded substantially thanks to strong domestic travel demand.

Market Weaknesses:

- Higher interest rates will slow the pace of high-tech expansion in the near term. Near-zero interest rates prior to 2023 and the scorching hot economy led to record-high venture capital funding and rapid industry hiring, but rate hikes will cause industry gains to slow over the next year as firms cut back on investment and curtail hiring plans. High-tech employers will remain an important source of job growth, especially in the less cyclical life-sciences sector, but the pace slowed drastically at the end of 2023.
- Denver seems to have higher expected layoffs coming later in 2024 as Dish Network Corp, Amazon and Google have announced layoffs.

Outlook:

- Denver looks to be regaining solid footing with demand gains starting in 2023 and continuing in 2024 after a large amount of inventory came into the market late 2022. With continued heighted supply and plans for even more supply to come into market, it will be critical to see how the market is able to absorb. Going forward, it is likely that near term performance will continue to trail national averages, but with favorable demand patterns, steady economic growth, and strong demographics, it is likely Denver will regain its footing.
- Denver's current employment base now sits roughly 4% above the pre pandemic level in February 2020. In addition, strong demand from leisure travel, combined with the outsized presence of high-tech in the area should continue to support the metro's strong economic performance going forward.

Multifamily Apartment Pipeline

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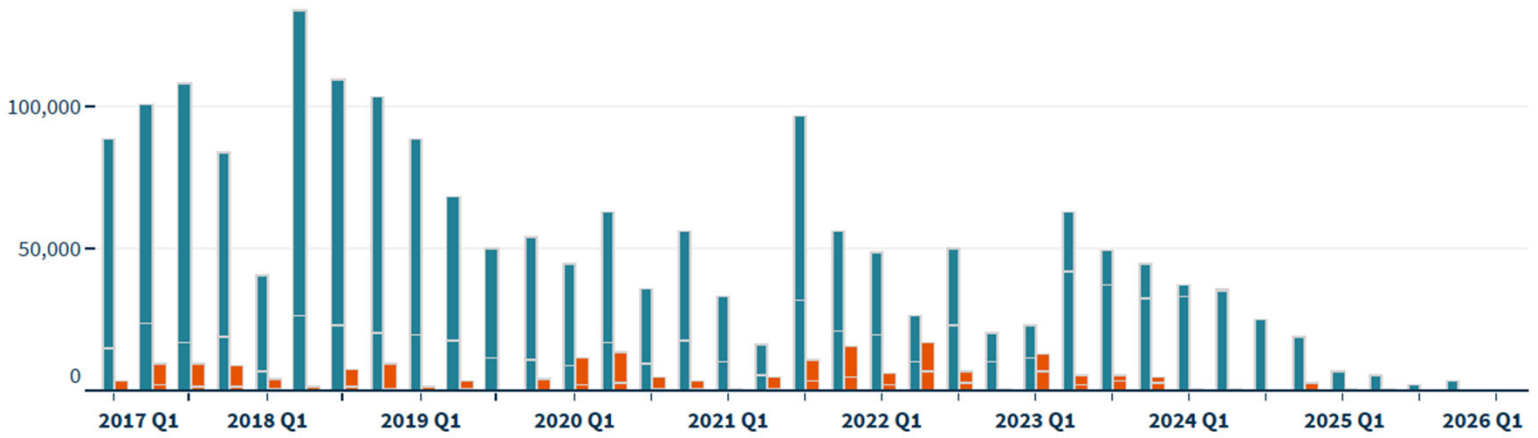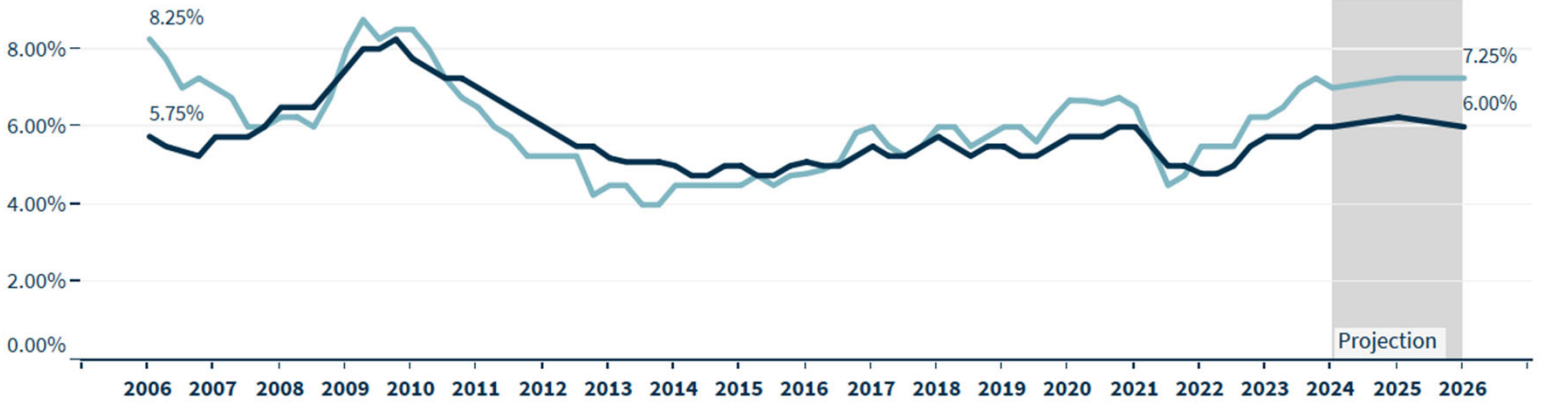

Source: Dodge Data & Analytics SupplyTrack Pipeline

Multifamily Vacancy & Rent Estimates

Vacancy Rates
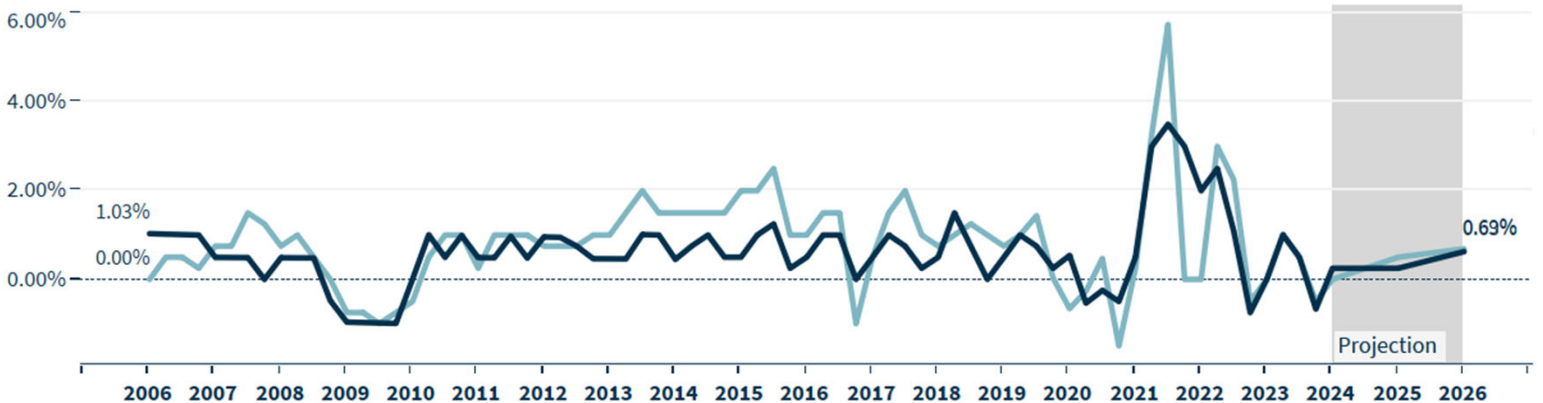*Denver | National*

Q1 2024 Vacancy Rate:
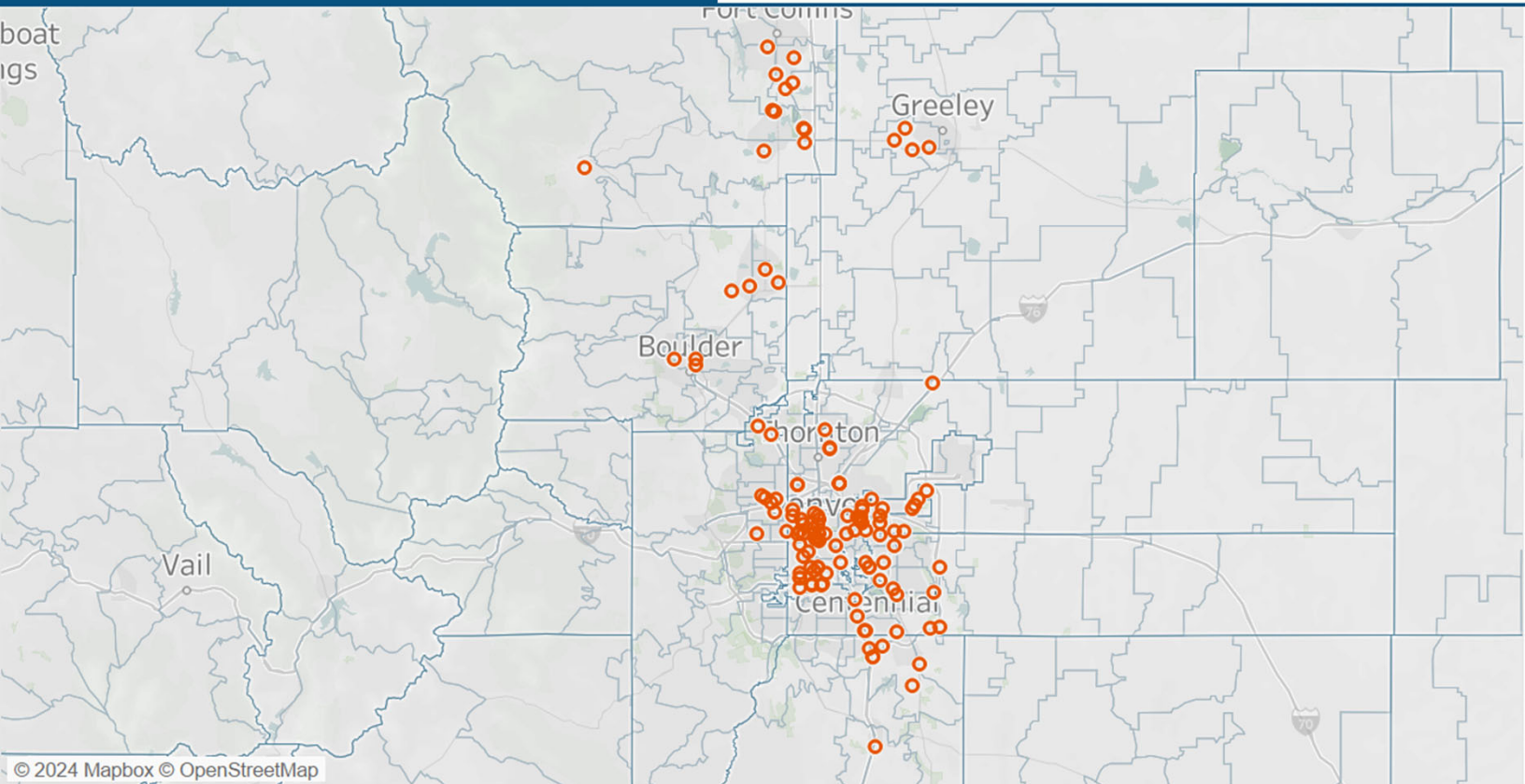*7.00%*

Asking Rent Growth
Denver | National

Q1 2024 Asking Rent:
$1,800

Source: Fannie Mae Multifamily Economics and Research

Multifamily Construction: Bidding & Underway

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MultiHousingSubmarketName	Apartments	Units
Arvada/Golden	4	709
Boulder	3	319
Broomfield	2	620
Downtown/Highlands/Lincoln Park	14	3,410
Five Points/Capitol Hill/Cherry Creek	5	982
Glendale	1	151
Highlands Ranch	1	553
Longmont	3	531
NA	17	2,962
North Aurora	4	1,102
North Lakewood/Wheat Ridge	4	539
Northeast Denver	24	4,334
Parker/Castle Rock	5	1,040
South Denver/Englewood	16	2,367
Southeast Aurora/East Arapahoe County	6	1,387
Southeast Denver	3	507
Southwest Aurora	4	1,098
Tech Center	6	1,143
Thornton/Northglenn	3	936
Westminster	2	323
Grand Total	**127**	**25,013**

Source: Dodge Data & Analytics SupplyTrack Pipeline

Multifamily: ESR Team

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Multifamily Economics and Market Research Team

Caitlin Peirce, Economic and Strategic Research

Sources Used

- Moody's Economy.com

- Moody's CRE/REIS

- CoStar

- Real Capital Analytics

- RealPage

- Greenstreet

- Dodge Data and Analytics SupplyTrack Pipeline

- CBRE-Econometric Advisors

- Yardi