

Multifamily Metro Outlook

Denver - Fall 2019

Overview

- Denver's apartment market has been receiving high levels of new inventory over the past several years to meet the demands of the metro's robustly growing economy. Since the start of 2014, nearly 58,600 apartment units have been completed, and another 12,400 are currently underway. The strength of the metro's job market has provided sufficient demand to allow the market to remain healthy. But with a minor slowdown in job growth, and continued high levels of new unit deliveries, it's likely that Denver will soon see some softness in its multifamily market.
- Although the Denver economy had been a national growth leader in 2018, conditions have recently slowed. In the year-ending Q2 2019, the metro's job market added nearly 22,700 jobs, growing +1.3 percent at slightly below the +1.4 percent national average. Denver is expected to return to performing well above average over the next five years.
- Over the past several decades, Denver has become a lifestyle city, attracting a highly educated population that values the area's unique natural environment: 43 percent of the metro's population has a bachelor's degree or higher, compared to 32 percent nationally. It has also become a desired destination for millennials: 22.5 percent of the metro's population is between the ages of 20 and 34, which is well above the national average of 20.5 percent
- These favorable demographics have made Denver a popular corporate relocation and satellite office destination that offers high-quality jobs: 18 percent of the metro's jobs are in the professional and business services segment, well above the national average of 14 percent. And high-tech employment comprises 6.9 percent of local jobs, compared to 4.8 percent nationally.
- Denver's economic success has caused issues for housing affordability. While inexpensive housing was once one of the things that attracted businesses and residents to the area, the median home price in the metro for September 2019 was around \$450,000, well above the \$264,000 national level. And the vast majority of the new apartment units constructed over the past five years are luxury products, affordable only to the area's highly paid professionals.
- The rise of Denver's technology segment is also a point of concern. While tech jobs are generally well paid, they are also somewhat more prone to contractions, as companies in the industry have to adapt to rapidly changing market conditions. The city is additionally affected by the volatility of oil prices (there is still a significant number of energy companies in the metro), resulting in some potentially unpredictable elements in Denver's economic foundation.

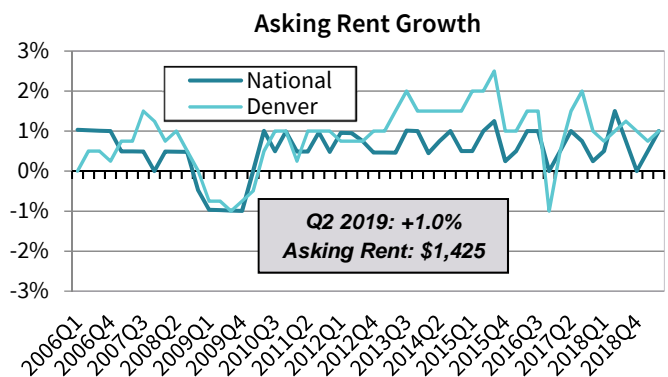
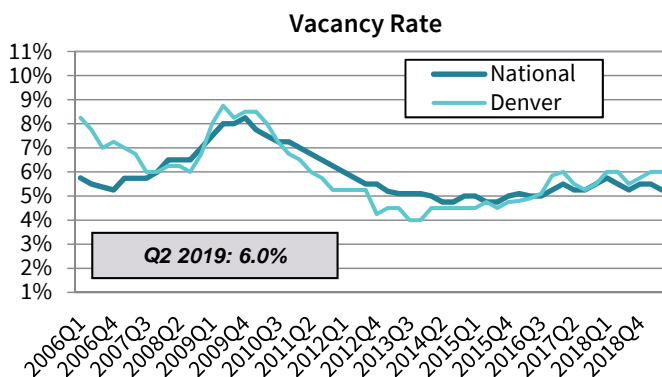
Development

- Condo development is generally not a concern in Denver. The metro was not among those that received great volumes of condos prior to the Great Recession, and current development is quite modest for a metro the size of Denver: Around 20,700 units were completed between 2006 and 2018, but just 1,100 are currently underway.

Outlook

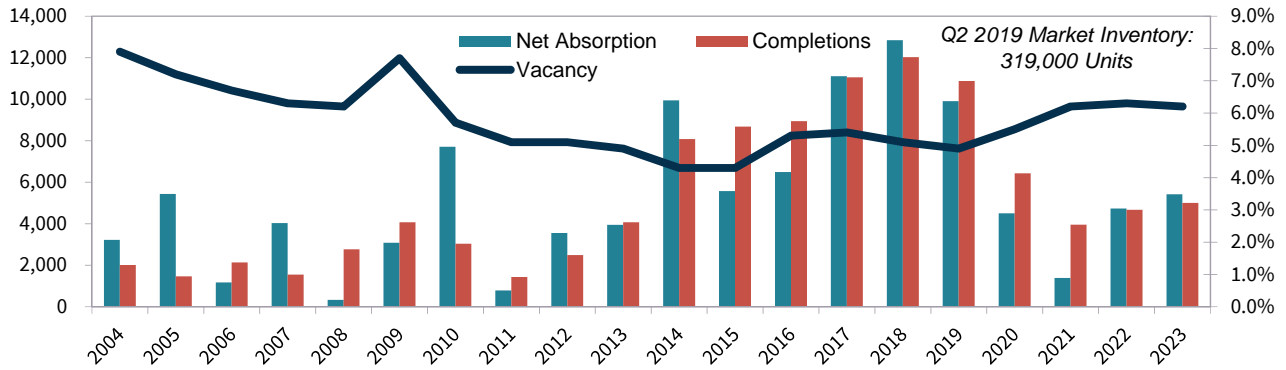
- After several years of remarkable performance, Denver's apartment market is poised for some easing. The combination of high levels of new units and a more modest expansion of the job market will likely result in vacancy rates modestly rising and rent growth slowing. Given the strong rent growth over the past several years and the concentration of luxury product completions, rising concessions and some brief episodes of rent contractions are quite possible. But the underlying long-term economic expansion should eventually support a healthy apartment market.
- Denver's economy remains on a long-term, broad-based expansion trajectory. But the occasional contraction should not be surprising, given the potentially volatile segments that underlie this growth. Denver will likely remain a growth leader among the nation's larger metro areas for the foreseeable future, but it will also be an economy that experiences an occasional correction.

Vacancy and Rent Composite Estimates

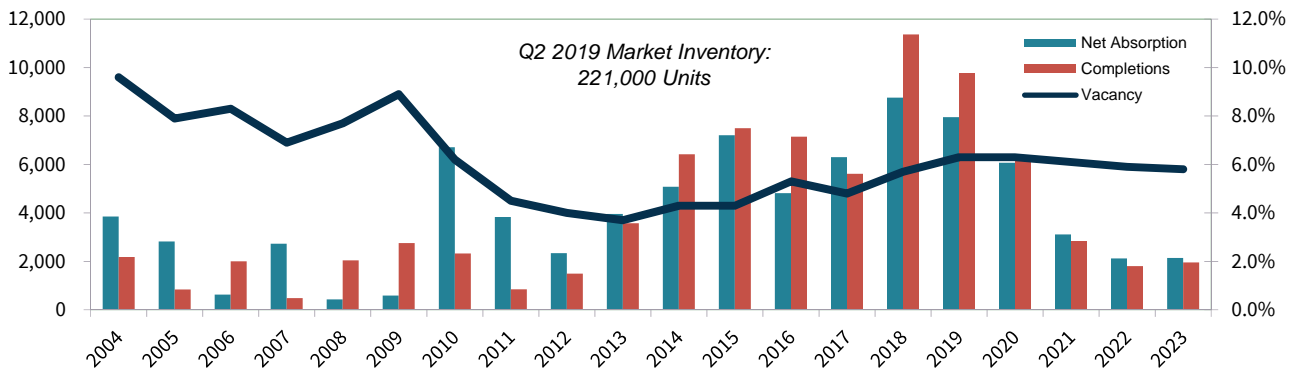


Source: Fannie Mae Multifamily and Economics Research

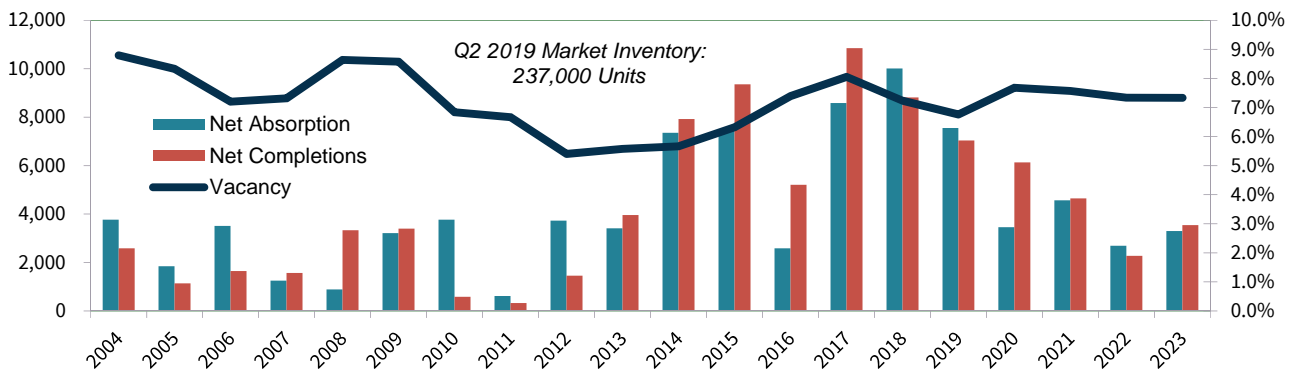
CBRE-EA



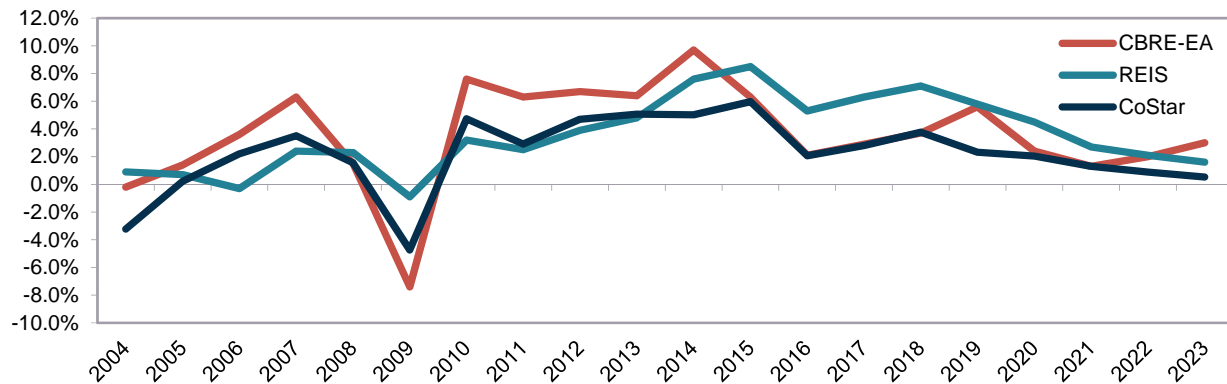
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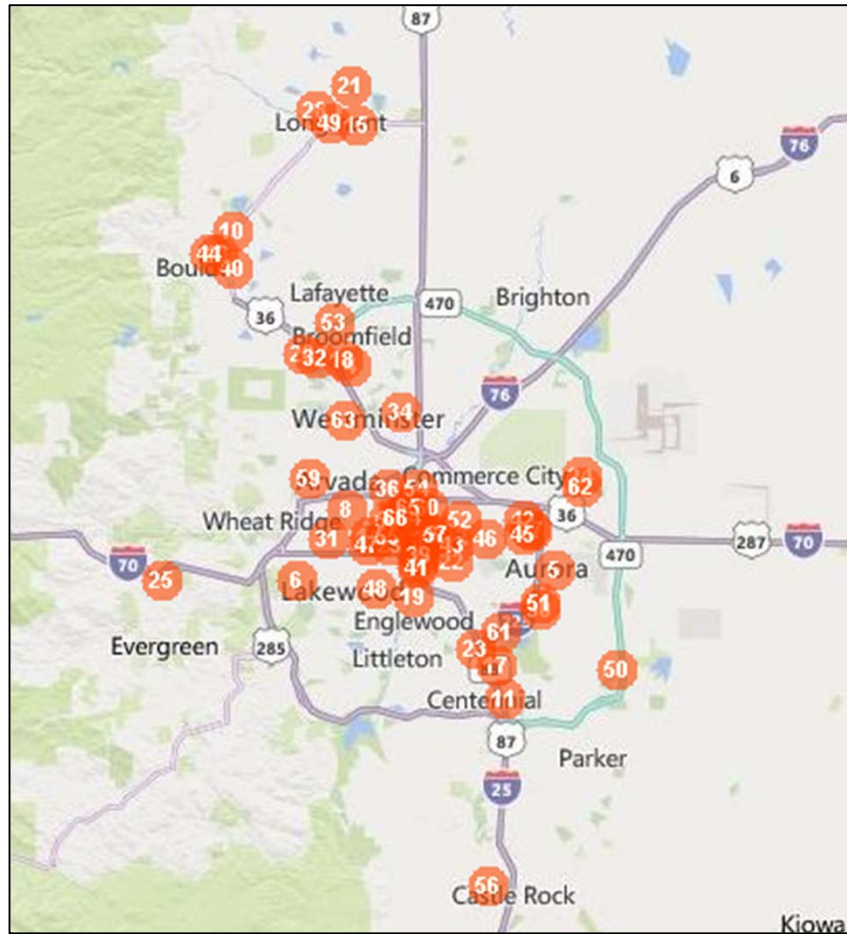
CoStar



Annual Rent Growth



**Construction Bidding/Underway
(66 projects/12,800 Units/14.3 M Sq. Feet)**



CBRE-EA Submarket	Number of Projects	Total Sq Ft (000's)	Total Units
Arapahoe County	2	605	466
Arapahoe County/Other	1	277	280
Arvada/Broomfield	6	1511	1471
Aurora-Central-Southeast	1	128	116
Aurora-North	4	688	777
Aurora-South	4	989	844
Boulder and Vicinity	4	725	634
Denver County	2	544	458
Denver-Central	6	1410	1178
Denver-Downtown	1	291	317
Denver-North	17	3246	2896
Denver-Northeast	2	96	94
Denver-South/Glendale	3	1007	768
Douglas County	1	204	204
Jefferson County	2	383	274
Lakewood-North	2	221	248
Lakewood-South	1	300	260
Longmont	4	904	747
Louisville and Vicinity	1	325	324
Westminster	2	488	403

Source: Dodge Data & Analytics SupplyTrack

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Sources Used

- CBRE-Econometric Advisors
- Bureau of Labor Statistics
- Census Bureau
- CoStar
- Dodge Data & Analytics SupplyTrack
- Moody's Analytics
- Real Capital Analytics
- RealPage
- Reis, Inc.

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