

Multifamily Metro Outlook:

Denver - Q4 2023

Overview:

- Denver's economy continues to be strong. The labor force is still performing well but has slightly dipped over the past few years as unemployment increased 0.5 points year over year to 3.2%, which is still below the national average of 3.5%. What's more is that incomes in the metro, which averaged \$97,000 as of the year ending fourth quarter 2023, 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 2,252 units delivered in fourth quarter 2023. Over the past year, close to 9,700 units have been added to the metro, which is an annual increase of approximately 3%.
- Denver's demand softened slightly in the second half of 2022 but still shows signs of 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. Thus, vacancy rates increased from the most recent low of below 5% in mid-2021 to 7.25% in fourth quarter 2023. 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 advanced 0.75% over last year's levels and a 0.25% increase from last quarter - still above the national average - to an average of \$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 8.5% 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 has slowed drastically at the end of 2023.
- Denver seems to have higher expected layoffs coming in 2024 as Dish Network Corp, Broadcom INC, Yelloh, and Charles Schwab have announced layoffs.

Development:

- Denver will continue to deliver a plethora of apartments for quite some time. Even though the amount of inventory added to the pipeline was 2,000 less compared to last year.

Outlook:

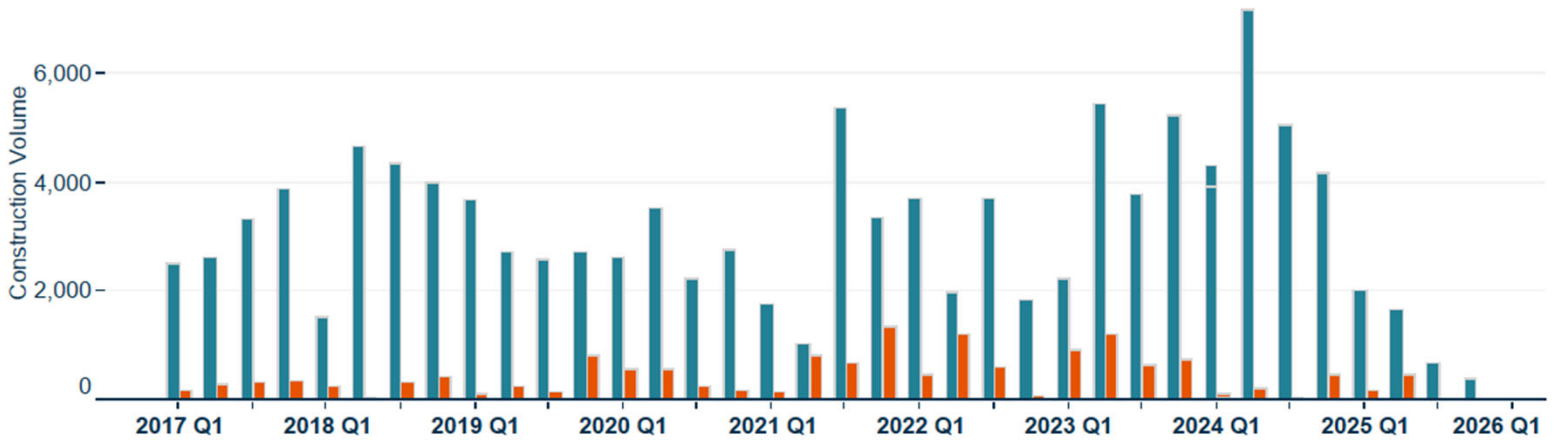
- Denver looks to be regaining solid footing with demand gains in 2023 after a large amount of inventory came into the market late 2022. With continued heightened supply and plans for even more supply to come into market, it will be critical to see how the market is able to absorb. Going forward, it 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.
- Despite job losses stemming from the pandemic, Denver 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

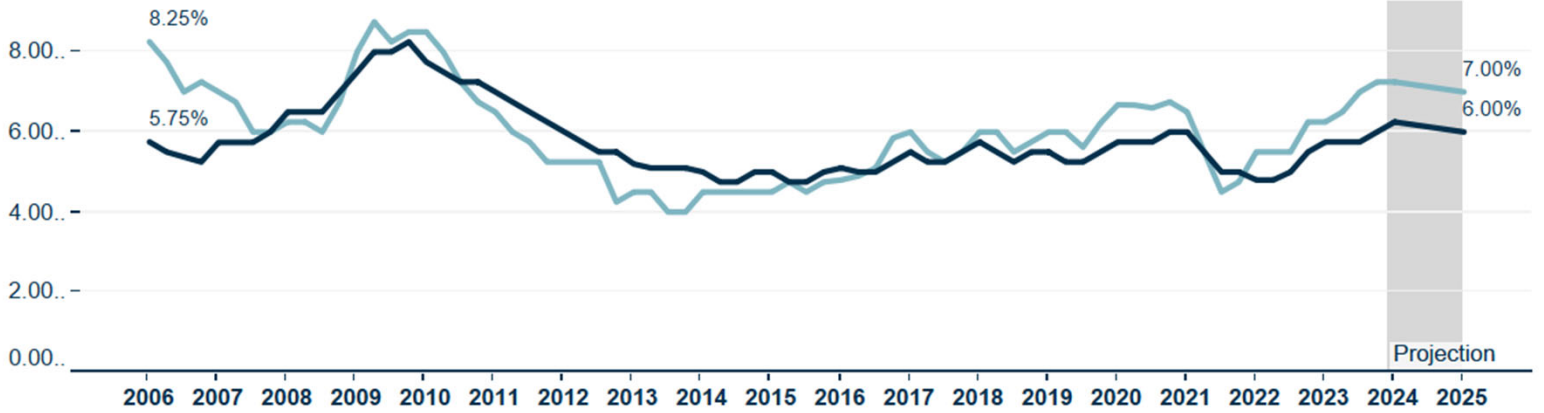
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Denver | National

Q4 2023 Vacancy Rate:

7.25%

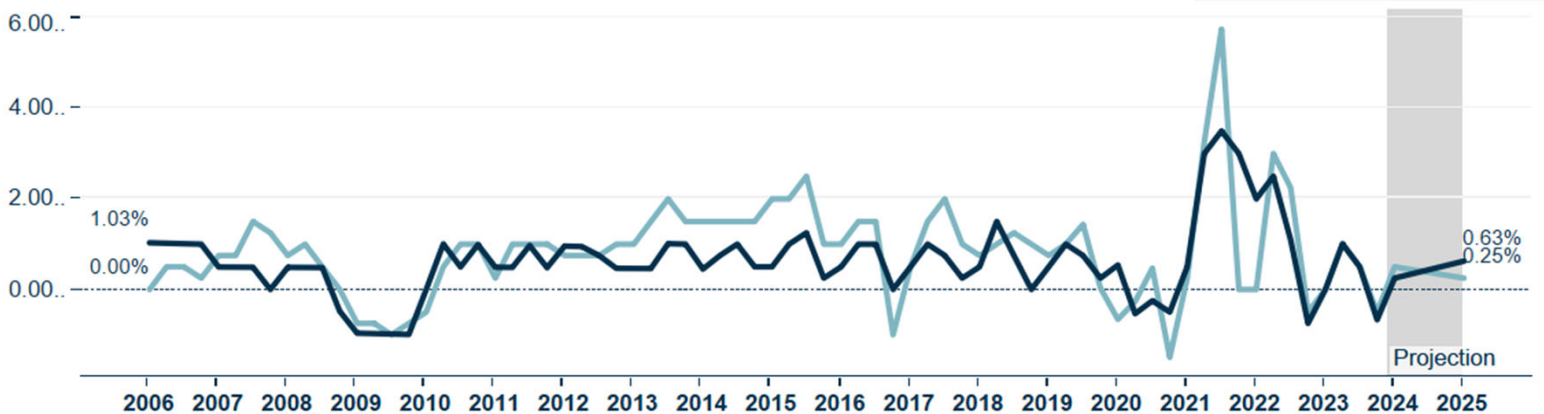


Asking Rent Growth

Denver | National

Q4 2023 Asking Rent:

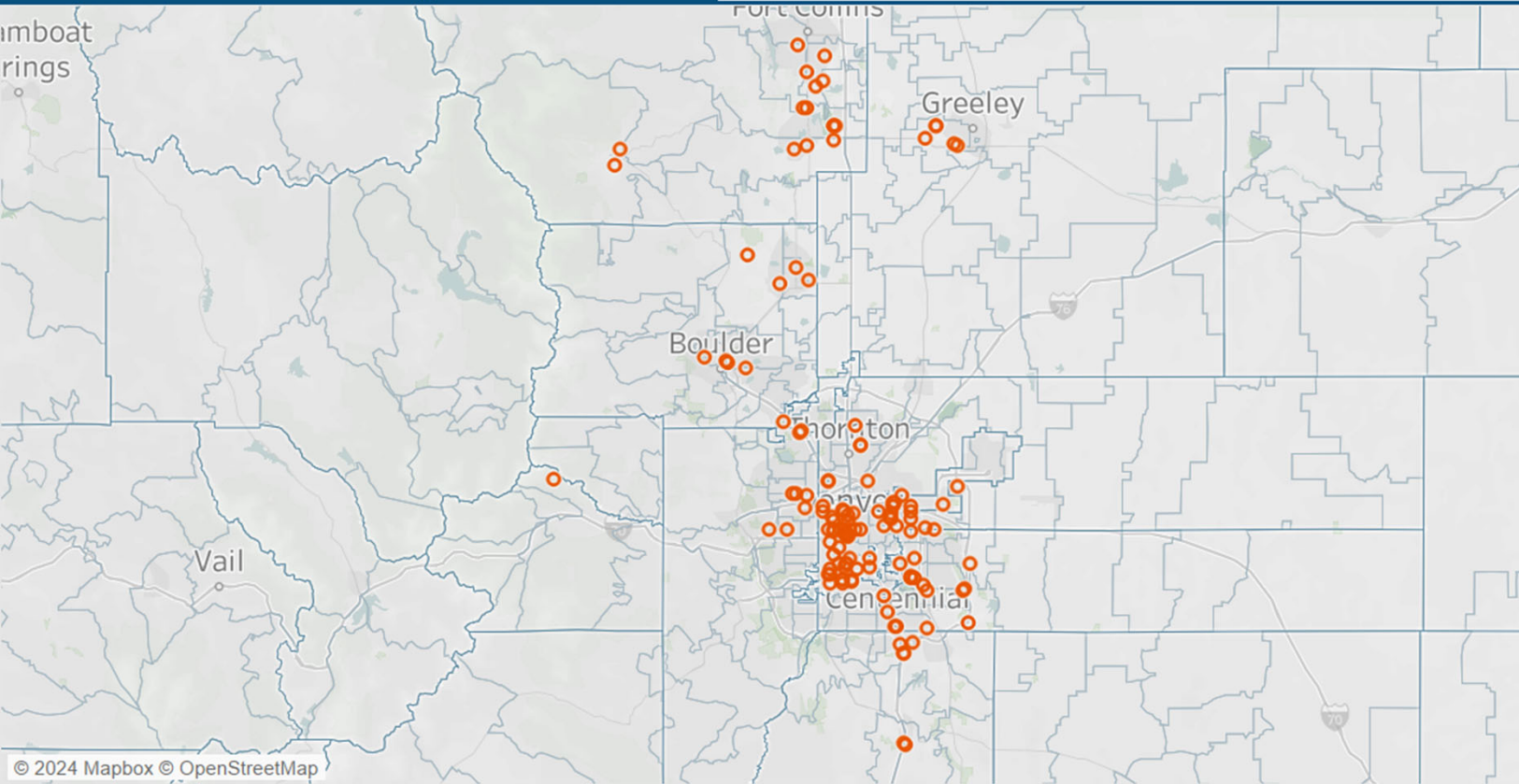
\$1,800



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Arvada/Golden	5	1,034
Boulder	4	600
Broomfield	3	965
Downtown/Highlands/Lincoln Park	14	3,764
Five Points/Capitol Hill/Cherry Creek	6	1,201
Glendale	2	171
Highlands Ranch	1	553
Longmont	3	735
NA	21	2,300
North Aurora	4	1,102
North Lakewood/Wheat Ridge	4	539
Northeast Denver	16	3,350
Parker/Castle Rock	4	788
South Denver/Englewood	18	2,677
Southeast Aurora/East Arapahoe County	6	1,187
Southeast Denver	1	81
Southwest Aurora	5	1,591
Tech Center	6	1,143
Thornton/Northglenn	3	936
Westminster	2	323
Grand Total	128	25,040

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

Multifamily Metro Outlook: San Diego Q4 2023

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

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