

# Multifamily Metro Outlook:

## Denver - Q2 2024

### Overview:

- Denver's typically strong economy has faltered a bit this quarter due to tech pullbacks, weakness in freight demand, and cooled consumer spending. Impacts were muted however, as Denver's income demographics prove resilient to macroeconomic environment factors, with the average income of \$105,000 as recently as 2023. This has allowed the metro to better resist local issues and inflationary pressures building around the country.
- While supply continues to lead the story of this metro, demand has gained a small foothold, with this quarter's 4,500 units being 40% higher than the 10-year average in the metro during the second quarter. However, Denver's inventory is set to grow by roughly 20,500 units by the end of this year, which would be the highest level seen to date by a wide margin. Vacancy rates have also decreased to 6.3% compared to 7.0% in first quarter 2024.
- Signs of the slight supply-demand temporary imbalance can be seen in asking rent growth, which has remained remarkably flat over the past year. For this quarter, we estimate it to be around 0.25%, making average asking rent approximately \$1,805. This 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.

### Market Strengths:

- A critical component of the apartment market, young adults, make up 22.7% of the total population, which is larger than the national level of 20.3%. Over the next five years, Moody's expects this cohort in Denver will grow another 0.9% compared with a five-year forecast of -0.4% nationally. In addition, 47.2% of Denver's working-age population holds a bachelor's degree or higher compared to 34.3% nationally. This heavily supports Denver's professional and business services sector, which makes up around 18.4% of total employment, according to Yardi.
- 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 due to strong domestic travel demand.

### Market Weaknesses:

- Ongoing higher interest rates will likely slow the pace of high-tech expansion in the near term. Near-zero interest rates prior to 2023 and the scorching economy led to record-high venture capital funding and rapid industry hiring, but quick and consistent rate hikes have reversed this course considerably. Because Denver's business and tech sectors have an outsized impact on total employment, local startups, financial services firms, and large tech firms have all felt the squeeze of relatively high interest rates in comparison with the past two decades.
- Denver seems to have higher expected layoffs coming later in 2024 as Dish Network, Amazon, and Google have announced layoff plans. With DirecTV's acquisition of Dish, it is yet to be seen how the change will impact the company's employment in terms of redundancy or successful absorption, both being feasible outcomes.

### Development:

- According to RealPage, absorption totaled around 4,500 units in the second quarter of 2024, but this fell short of new units delivered in the quarter, coming in at 4,800 units.

### Outlook:

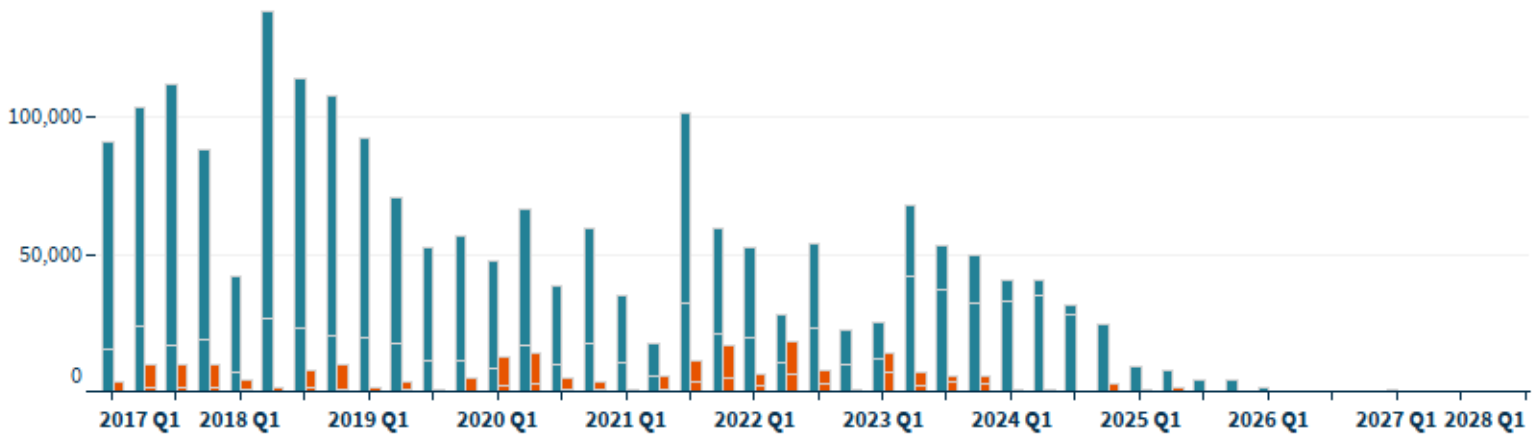
- Denver has faced continued supply coming online in recent years, and this quarter is no different. Nonetheless, the 16,000 units underway are significantly below the level seen in the first quarter of 2023, when 32,000 units were in the pipeline. While demand is not reaching supply, this is expected to gradually change over the near term.
- Builders have noted that it is now difficult to break ground due to a new affordable housing policy, which requires new developments with 10 or more units to allocate 8-15% as affordable. This issue is compounded by nationwide labor and construction cost increases. Going forward, near-term performance will likely continue to trail national averages, but with incoming rate decreases and strong demographics, Denver could regain its former building glory.
- Employment growth turned negative in Q2 2024 at -0.2% as a result of pullbacks in the technology and professional services sectors. Strong demand from leisure travel, combined with the outsized presence of high-tech in the area (which is expected to bounce back after some recent economic headwinds), should continue to support the metro's strong economic performance going forward. Denver will likely retain its strong demographics for the foreseeable future due to the area's attractive natural environment and its establishment as a major employment hub.



## Multifamily Apartment Pipeline

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

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

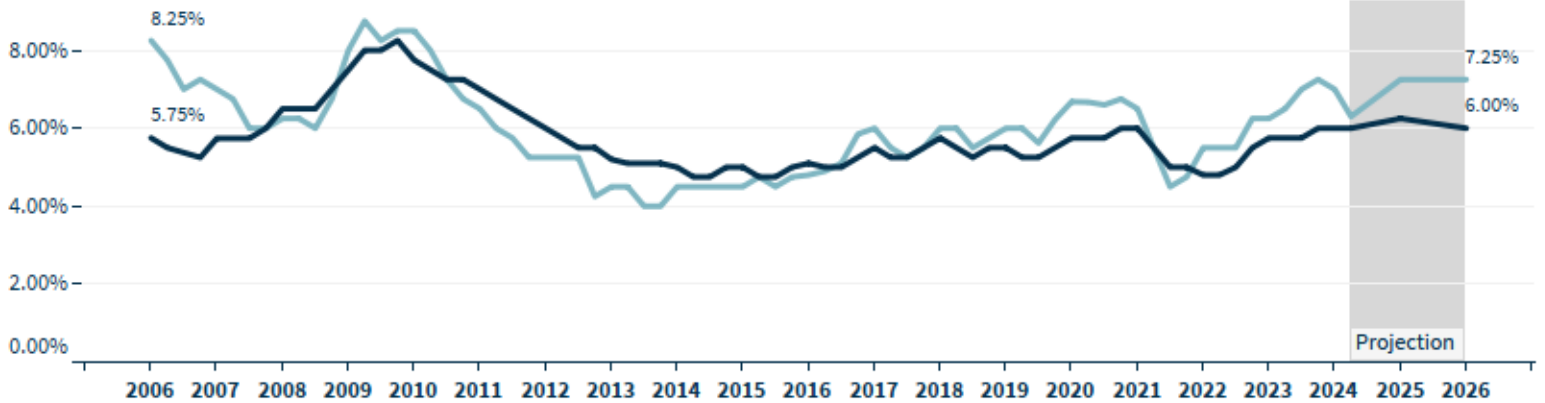
## Multifamily Vacancy & Rent Estimates

### Vacancy Rates

Denver | National

Q2 2024 Vacancy Rate:

6.30%

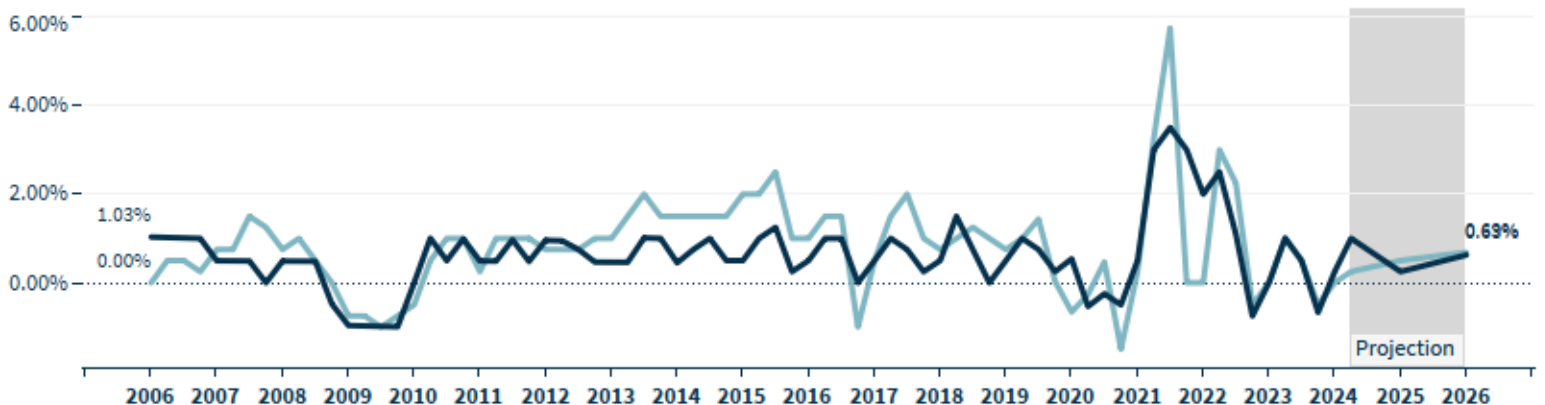


### Asking Rent Growth

Denver | National

Q2 2024 Asking Rent:

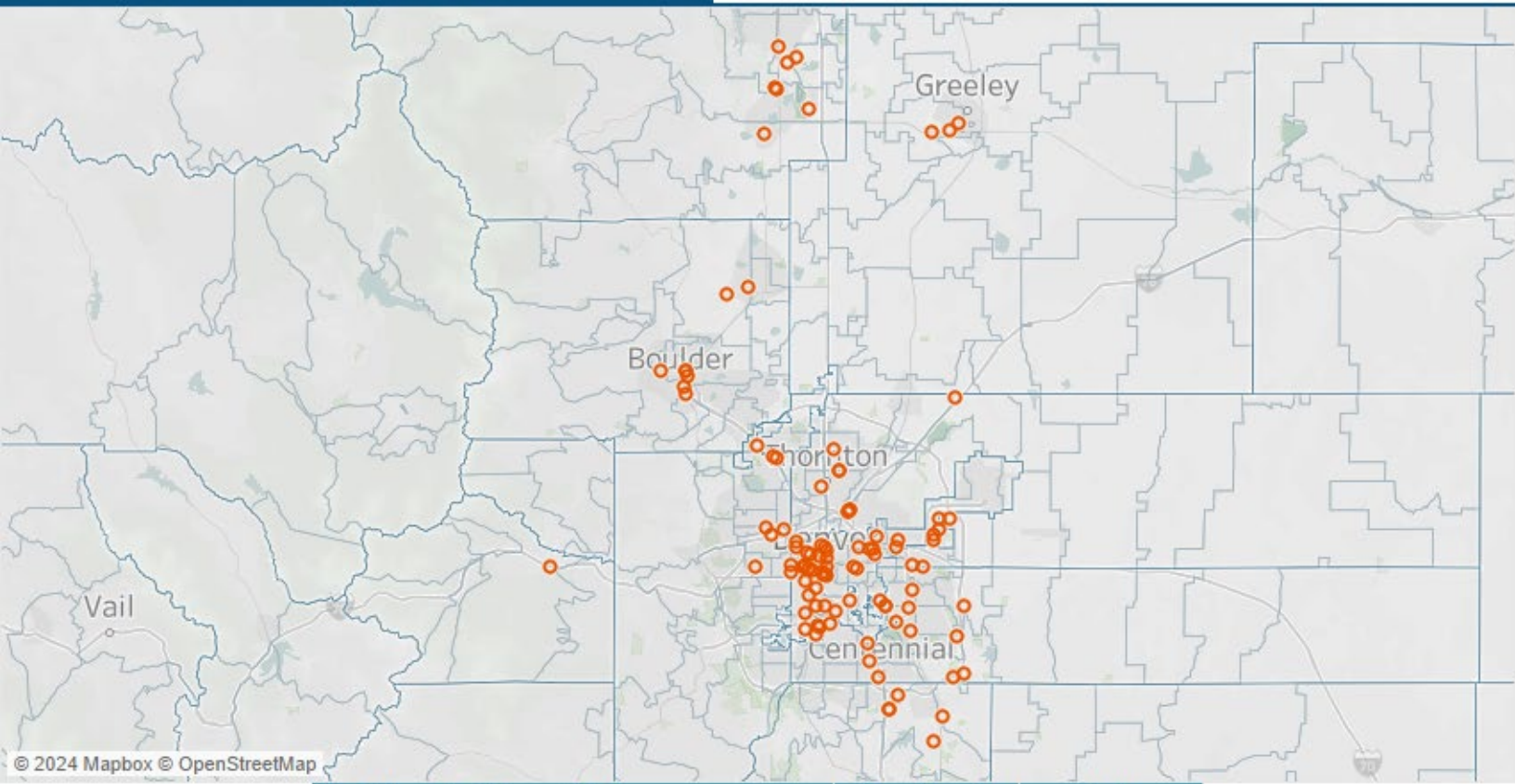
\$1,800



Source: Fannie Mae Multifamily Economics and Research



# Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Arvada/Golden	4	334
Boulder	6	724
Broomfield	3	847
Downtown/Highlands/Lincoln Park	16	2,856
Five Points/Capitol Hill/Cherry Creek	3	648
Glendale	1	151
Longmont	2	281
NA	10	1,670
North Aurora	2	353
North Lakewood/Wheat Ridge	3	489
Northeast Denver	20	3,608
Parker/Castle Rock	4	819
South Denver/Englewood	12	2,071
Southeast Aurora/East Arapahoe County	6	1,655
Southeast Denver	3	507
Southwest Aurora	4	1,190
Tech Center	4	1,123
Thornton/Northglenn	3	936
Westminster	1	
<b>Grand Total</b>	<b>107</b>	<b>20,262</b>

Source: Dodge Data & Analytics SupplyTrack Pipeline



## Multifamily: ESR Team

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## Multifamily Economics and Market Research Team

John Collier, 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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