

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **29,869**

UNITS DELIVERED (YTD) **4,276**

MARKET FUNDAMENTALS



VACANCY RATE **6.9%**

YEAR-OVER-YEAR CHANGE **+110bps**

ASKING RENTS **\$1,842**

YEAR-OVER-YEAR CHANGE **-3.0%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$266,200**

DENVER MULTIFAMILY 1Q 2025

MARKET INSIGHTS

After a slow start, stronger growth likely in the second half

HIGHLIGHTS

- Property fundamentals in the Denver multifamily market recorded some mixed performance during the first quarter, as rents continued to trend lower even as vacancy stabilized. Notably, absorption set a first-quarter record with 2,310 units leased, more than double the historical average, signaling strong demand even amid elevated deliveries. Meanwhile, the construction pipeline is beginning to thin as completions outpace new starts and permitting slows.
- Following a spike of 160 basis points in the previous quarter, vacancies steadied in recent months, closing the first quarter at 6.9%, up 110 basis points annually. The surge in absorption helped temper the impact of new supply, limiting further vacancy increases.
- Rents continued to trend lower, declining by 1.2% during the first quarter to \$1,842 per month. Local rents are down 3% from one year ago but have likely reached a cyclical low and should record modest increases in the second and third quarters.
- Transaction volume slowed at the start of 2025, down from a three-year peak at the end of 2024. The median price during the first quarter was \$266,200 per unit, while properties traded at an average cap rate of 5.2%, similar to levels recorded since 2023.

DENVER MULTIFAMILY MARKET OVERVIEW

After deliveries peaked in 2024, multifamily developers remained active in Denver in the first quarter. Despite heightened levels of new development, Class A and Class B properties have performed well, with vacancy rates of 6.2% and 6.7%, respectively. In recent periods, operational challenges have been isolated in the Class C segment, where vacancies have spiked as Covid-era eviction renter protections have expired. Denver-area evictions are up more than 80% from pre-pandemic levels, with renters and operators in Class C properties hit the hardest. The Class C vacancy rate ended the first quarter at 8.9%, up 440 basis points from one year earlier, and more than 650 basis points higher than the artificial low recorded in 2022. Recent rent trends have been uneven; rents declined for the second straight period in the first quarter, the first time the market has posted two consecutive quarters of rent dips in the past five years.

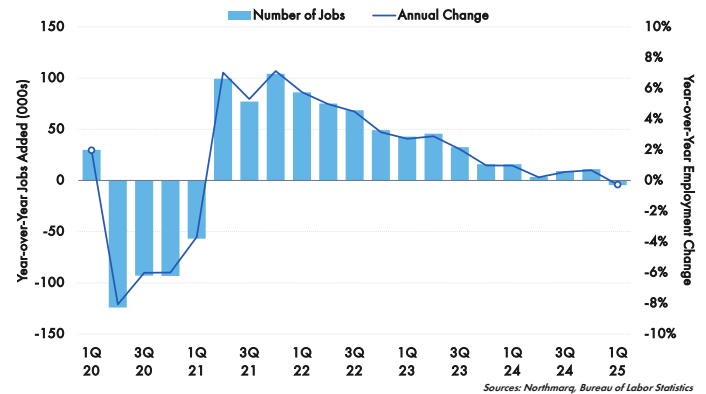
Sales activity in the Denver multifamily market declined in the early months of 2025 after volumes at the end of 2024 reached a three-year high. Transaction totals during the first quarter returned closer to the limited levels recorded in the opening months of 2023 and 2024. Investors have been targeting slightly older property types to this point in the year. Assets built in the 2010s accounted for the greatest share of the transaction mix during the first quarter at 30%, and 2000s-vintage properties have made up 20% of sales. In the preceding two years, properties built in the 2020s made up the largest portion of the sales mix. The median price during the first quarter was \$266,200 per unit, although properties built within the last five years posted a median price of \$360,600 per unit.

EMPLOYMENT

- Total employment in Denver dipped in recent periods. During the past year, employment contracted by 4,500 positions, a decrease of 0.3%.
- Some of the softness in the overall employment market stems from white-collar sectors that have been stymied by elevated interest rates and a more modest rate of economic growth. Professional and financial services employment combine to account for more than 25% of the total workforce in Denver; during the past 12 months, these sectors have posted net job losses totaling 2,300 positions.
- Defense manufacturer, BAE Systems, will continue to expand its presence in Denver after acquiring locally based Ball Aerospace. The U.S. Space Force recently awarded BAE a \$1.2 billion contract to build satellites designed to detect supersonic missiles. BAE currently employs roughly 5,000 people in Aurora, Boulder, Broomfield, and Westminster.
- **FORECAST:** Job growth should resume in the coming quarters as key sectors across the Denver market build momentum. Total employment in the Denver area is anticipated to increase by roughly 10,000 net new jobs in 2025, a 0.6% annual increase.

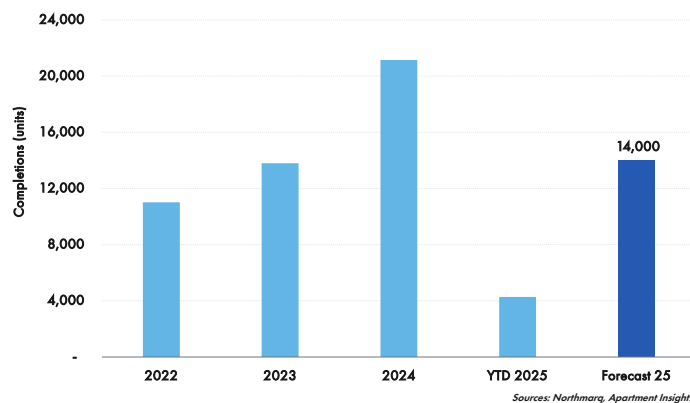
The U.S. Space Force recently awarded BAE a \$1.2 billion contract.

EMPLOYMENT OVERVIEW



Approximately 4,300 units came online during the first quarter.

DEVELOPMENT TRENDS

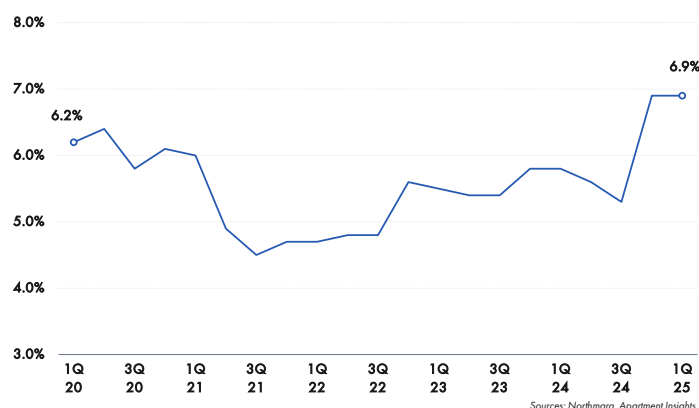


DEVELOPMENT & PERMITTING

- The pace of multifamily deliveries was elevated in recent months, continuing trends recorded in 2024. Projects totaling approximately 4,300 units came online during the first quarter. In the trailing five years, developers completed an average of 3,200 units per quarter.
- Projects totaling roughly 29,900 units are under construction, down 30% from one year ago. The Denver Airport submarket is currently recording the highest concentration of construction in the region, with 2,435 units. Additionally, nearly 13,000 units are planned in the Denver CBD, accounting for roughly 24% of all planned units.
- Permitting volumes continued to slow in recent months. Developers pulled permits for about 1,300 multifamily units in the first quarter, down 24% from last quarter and 53% below the region's 5-year trailing average.
- **FORECAST:** Completions in 2025 are forecast to fall from the 2024 peak of over 20,000 units. Projects totaling approximately 14,000 units are expected to be delivered this year. During the past 10 years, developers delivered an average of 10,400 units per year.

Net move-ins totaled more than 2,300 units during the first quarter.

VACANCY TRENDS



VACANCY

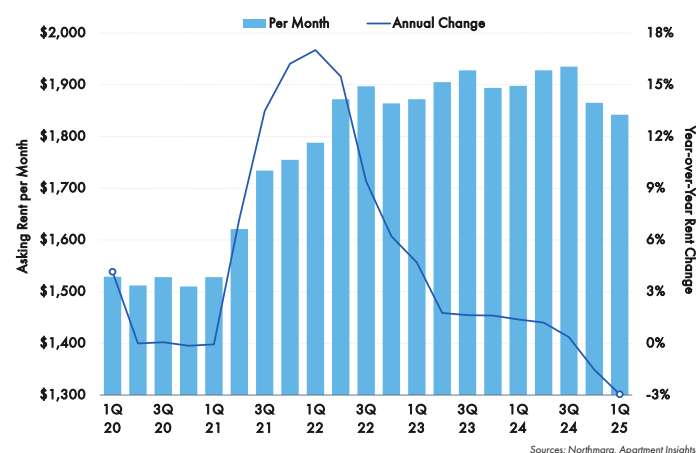
- The vacancy rate remained at 6.9% during the first quarter after recording a steep upward move during the preceding three months. Renter demand gained ground to start the year, helping to ease vacancy conditions. Apartments posted net move-ins for more than 2,300 units during the first quarter after a softer period of demand at the end of 2024.
- While vacancy has trended higher across most submarkets during the past year, the rate in the Highland Ranch/Lone Tree submarket recorded the greatest improvement. Vacancy in this area declined by 100 basis points during the past year to 5.4%.
- Vacancy increased across all asset classes during the past year, but performance was strongest in the higher-quality properties. Year over year, Class A vacancy inched higher by just 20 basis points to 6.2%.
- FORECAST:** Vacancy conditions will likely begin to improve through the end of the year, fueled by steady renter demand and slowing supply growth. Vacancy is forecast to close 2025 at 6.5%, down 40 basis points annually.

RENTS

- Rents in Denver have trended lower for two consecutive quarters after peaking during the third quarter of 2024. Apartment rents declined by 1.2% during the first quarter to \$1,842 per month. Rents are down 3% year over year.
- Several submarkets recorded year-over-year rent dips, but Boulder South and Castle Rock both posted annual gains. Average rents in Boulder South finished the first quarter at \$1,914 per month, up 3.2% from one year ago. Rents in Castle Rock also advanced by 3.2%, reaching \$1,992 per month.
- In recent periods, two of the primary stresses in the markets have been increased competition in the Class A segment, and evictions in Class C properties. Class B properties have been minimally impacted by these forces, resulting in more stable rents than in other property classes. Class B rents dipped just 0.8% during the past year.
- FORECAST:** With new construction slowing, rent growth is forecast to resume as new supply is absorbed. Average rents are projected to finish 2025 at \$1,875 per month, up 0.5% for the full year.

Rents are down 3% year over year.

RENTS TRENDS

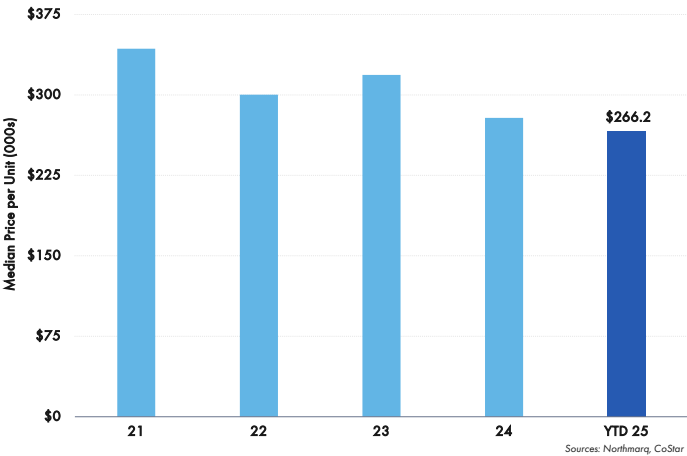


MULTIFAMILY SALES

- After reaching a three-year peak during the fourth quarter of last year, sales velocity slowed by more than 50% to start 2025. The number of properties that sold at the beginning of this year closely tracked levels from the same period in 2024. Recent investment volumes are down approximately 40% from the region’s 10-year average.
- The median price year to date is \$266,200 per unit, down 4% from last year. Pricing has gradually crept lower in recent years as financing rates have pushed higher and the mix of properties changing hands has evolved. Pricing peaked during 2021 as the median price was \$343,000 per unit.
- Cap rates averaged 5.2% for the first quarter, nearly identical to levels recorded in the prior year. Cap rates reached a low of roughly 4% in 2021, rose to more than 5% in 2023, and have been essentially flat in subsequent quarters.

The median price year to date is \$266,200 per unit.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

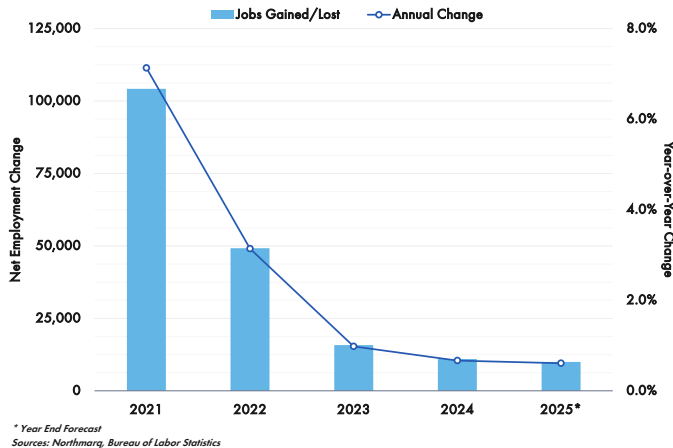
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Bell Parker	16950 Carlson Dr., Parker	2001	360	\$103,250,000	\$286,806
The Argonne	5650 N Argonne St., Denver	2019	324	\$99,000,000	\$305,556
Outlook Table Mesa	4051 Clear Creek Dr., Golden	2024	250	\$97,000,000	\$388,000
The District at Hampden South	6300 E Hampden Ave., Denver	2007	276	\$91,100,000	\$330,072

LOOKING AHEAD

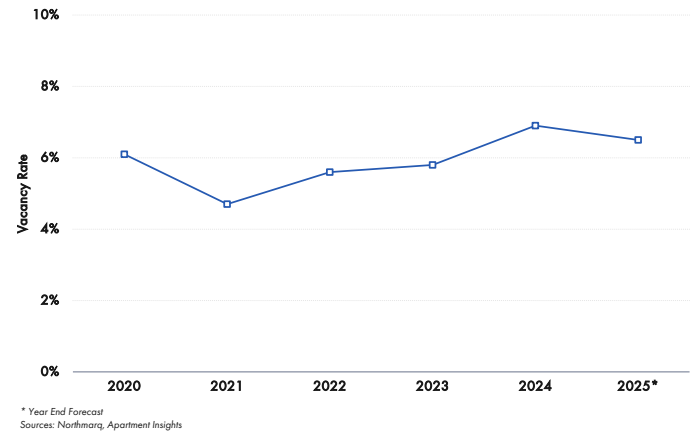
After posting some softer conditions in recent periods, the Denver multifamily market should begin to change course in the coming quarters. The pace of new supply growth is forecast to moderate by the end of this year, after developers delivered nearly 40,000 new units to the market since the beginning of 2023. Fewer than 30,000 units are currently under construction throughout the region, and deliveries in 2025 are on pace to decline by more than 30% compared to the peak levels recorded last year. Despite the additions of new supply, Class A and Class B properties have performed fairly well, a trend that is likely to continue as the local labor market regains momentum. The aerospace industry is expected to be a source of growth, with companies including BAE Systems, Blue Origin and Sierra Space making investments in the area that will support high-wage employment growth.

Sales activity in the Denver multifamily investment market is projected to increase in the coming quarters, tracking seasonal trends that seem to repeat during most years. Still, it may prove challenging for transaction volumes to reach historical averages, with rent growth likely to prove to be limited and interest rates remaining stubbornly elevated. The most likely result will be an investment market that closely resembles 2024. Properties built in the 2000s and 2010s should continue to account for the majority of sales going forward. Transactions involving new construction properties have cooled in response to a less robust lease-up environment, which may delay the sales of newer assets until late in 2025 or into subsequent years. While momentum in the investment market has been slow to take shape, cap rates have proven to be steady and are likely to remain in the lower-5% range.

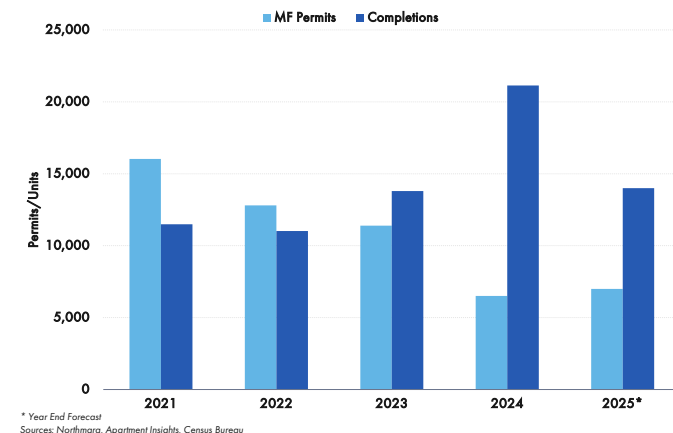
EMPLOYMENT FORECAST



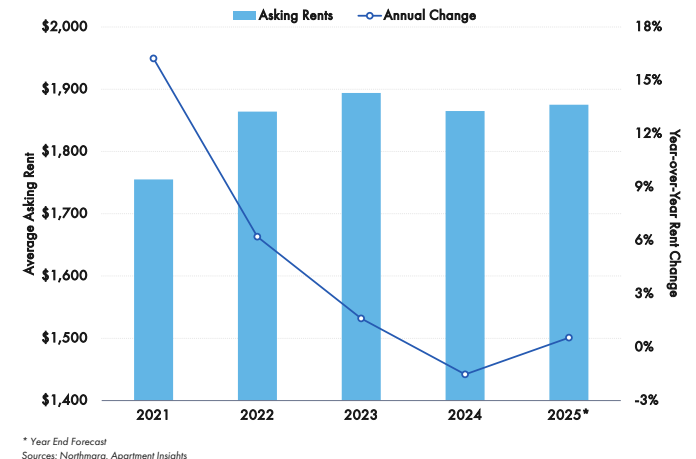
VACANCY FORECAST



CONSTRUCTION & PERMITTING FORECAST



RENTS FORECAST





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