

# Development pipeline falls to five-year low

## CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **25,657**

UNITS DELIVERED (YTD) **11,470**

## MARKET FUNDAMENTALS



VACANCY RATE **6.3%**

YEAR-OVER-YEAR CHANGE **+100bps**

ASKING RENTS **\$1,840**

YEAR-OVER-YEAR CHANGE **-4.9%**

## TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$281,400**

DENVER MULTIFAMILY  
Q3 2025

## HIGHLIGHTS

- Multifamily operating conditions in Denver were mixed during the third quarter, with the vacancy rate recording a slight improvement while rents softened. Roughly 11,500 units have been delivered since the start of the year, down 34% from the same period last year.
- The vacancy rate improved in the third quarter, declining 10 basis points to 6.3% following a larger improvement during the previous quarter. Despite the recent tightening, the local vacancy rate is still up 100 basis points during the past 12 months.
- Asking rents declined during the third quarter, falling 0.9% after a brief increase in the second quarter. Asking rents have dropped 4.9% over the past 12 months, reaching \$1,840 per month.
- The pace of multifamily sales remained modest in the third quarter, with the number of transactions year to date down 18% from 2024. The median sale price so far this year is \$281,400 per unit, with an average cap rate of 5.0%.

## DENVER MULTIFAMILY MARKET OVERVIEW

Changes in multifamily operating conditions have been mixed over the past year, with shorter-term trends appearing more favorable. Renter demand has remained strong with around 13,300 units absorbed since the start of the year, outpacing the number of units that have come online. While this absorption helped tighten local vacancy, rents are still down from one year ago. A 3.6% decline in rents during the fourth quarter of last year continues to weigh on year-over-year rent comparisons. During the middle part of this year, rents generally stabilized, although there are still softening conditions among Class C properties, where rents have retreated by 5.0% over the past 12 months. Outside of the lower tier, Class A rents have increased 3.1%, and Class B rents are up 0.9% since the first quarter.

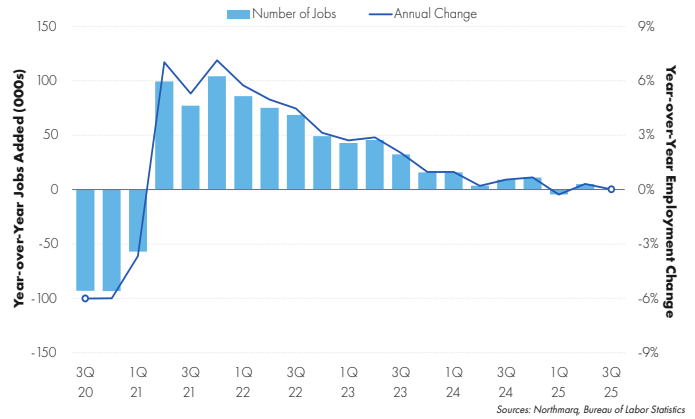
Multifamily sales activity has been light in Denver this year, with the year-to-date transaction count down nearly 20% from the same point last year, and down almost 40% from the trailing five-year average for the same period. Despite the decline in the number of properties that are changing hands, pricing has stabilized in recent months. The current median sale price in 2025 of \$281,400 per unit is nearly identical to the figure from last year. Prices remain 18% below the market peak in 2021, which was influenced by a significant share of Class A properties trading that year. In 2021, Class A properties accounted for 41% of all multifamily sales, compared with just 14% in 2025. Pricing on Class A and Class B assets increased this year, while Class C pricing continues to trend downward, falling 7% from last year to a median sale price of \$167,100 per unit.

## EMPLOYMENT

- Employment growth slowed considerably in the third quarter, following stronger gains in the previous quarter. Over the past 12 months, employers expanded payrolls by roughly 300 jobs, representing less than a 0.1% increase.
- The information sector continues to be one of the strongest for employment growth in the Denver metro. Over the past year, employers in this industry have grown payrolls by 5.9%, hiring 2,900 new employees.
- Philip Morris is scheduled to complete the construction of their new factory in Aurora between the end of 2025 and early 2026. This \$600 million facility dedicated to producing ZYN nicotine pouches will employ over 500 workers once fully operational.
- **FORECAST:** Employment growth is projected to be limited, but positive in 2025. The local labor market is forecast to add 2,000 positions in 2025, representing a 0.1% increase.

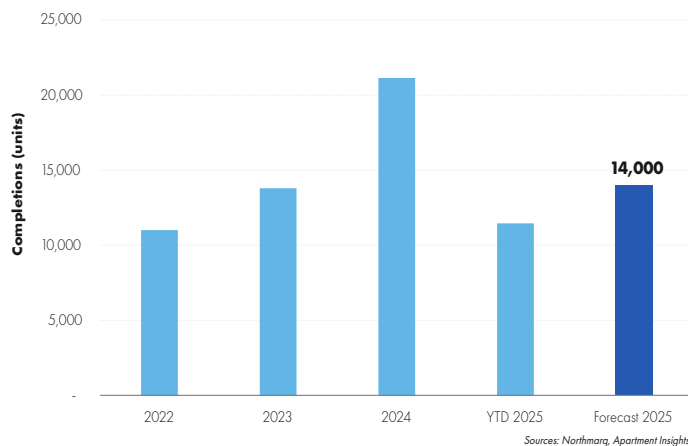
*The information sector continues to be one of the strongest.*

### EMPLOYMENT OVERVIEW



*Year to date, nearly 11,500 units have been completed.*

### DEVELOPMENT TRENDS

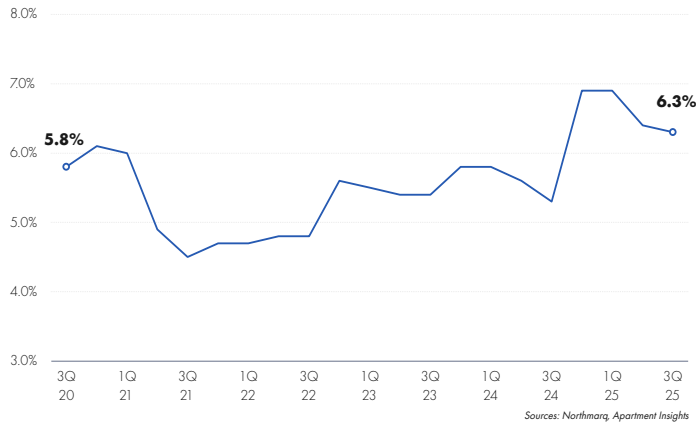


## DEVELOPMENT & PERMITTING

- Development picked up in the third quarter, with over 4,000 units delivered following a lighter second quarter. Year to date, nearly 11,500 units have been completed in Denver, down 34% from the same period last year.
- The number of units currently under construction is down 25% compared to one year ago, with roughly 25,700 units underway. Construction activity peaked in mid-2023 at over 44,000 units.
- Multifamily permitting slowed during the third quarter, with permits for approximately 1,200 units issued following a spike in the previous quarter. Year to date, permits for projects totaling over 5,200 units have been pulled, up 8% from one year ago.
- **FORECAST:** Multifamily deliveries in Denver are forecast to slow during the fourth quarter, with total completions in 2025 reaching approximately 14,000 units. This represents a 34% decline from last year, when completions reached a cyclical high.

*Class C vacancy fell 140 basis points during the third quarter.*

VACANCY TRENDS



VACANCY

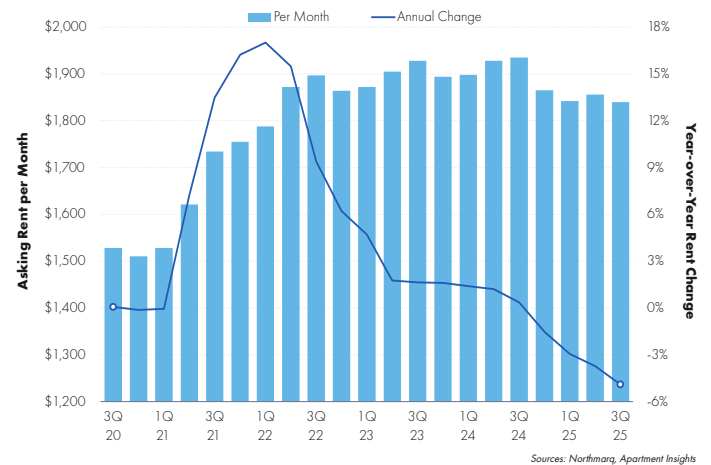
- Area vacancy continued to improve in recent months, decreasing by 10 basis points during the third quarter to 6.3%. Year over year, the vacancy rate is up 100 basis points due to a spike in completions last year.
- A few submarkets posted vacancy improvements during the past year. The Denver Tech Center submarket posted the greatest decline, with the vacancy rate falling by 60 basis points over the past 12 months to 4.6%.
- Vacancy challenges during the past year have been most severe in Class C properties, where the rate has risen by more than 500 basis points to 9.0%. The trend began to change course in the third quarter, when Class C vacancy fell 140 basis points.
- **FORECAST:** As the pace of deliveries cools and absorption remains strong, Denver’s vacancy rate is expected to hold at 6.3% for the remainder of the year, reflecting an annual improvement of 60 basis points.

RENTS

- Average asking rents dipped 0.9% lower in the third quarter following a brief rise in the previous quarter. Over the past 12 months, asking rents decreased by 4.9% to \$1,840 per month.
- The year-over-year rent decline was largely driven by a 3.6% drop during the fourth quarter of 2024. Year to date, rents in Denver are only down by 1.3%. Compared with the end of the first quarter of 2025, rents are nearly flat.
- While the market average trended lower, rents in a few submarkets continued to post solid improvements. The Castle Rock submarket led the region with a 4.4% annual increase to \$2,034 per month.
- **FORECAST:** Rents in Denver may inch lower during the last few months of the year, following seasonal patterns. Average rents are forecast to close 2025 at around \$1,835 per month, a roughly 1.6% annual decrease, similar to the 1.5% decrease recorded in 2024.

*Castle Rock led the region with 4.4% annual rent growth.*

RENTS TRENDS

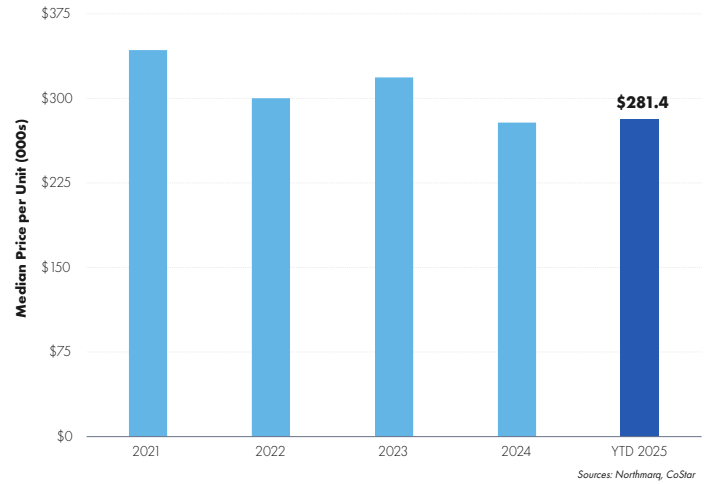


## MULTIFAMILY SALES

- The number of properties changing hands in Denver has remained consistent from quarter to quarter this year. Total transactions through 2025 are down 18% compared with the same point in 2024, when activity was already modest.
- While activity has slowed, pricing has steadied in 2025. Year to date, the median sale price is \$281,400 per unit, up 1% from 2024. Compared with the peak in 2021, current pricing remains 18% lower.
- The average cap rate year to date has reached approximately 5.0%, down from 5.3% last year.

*Year to date, the median sale price is \$281,400 per unit.*

### INVESTMENT TRENDS



## RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

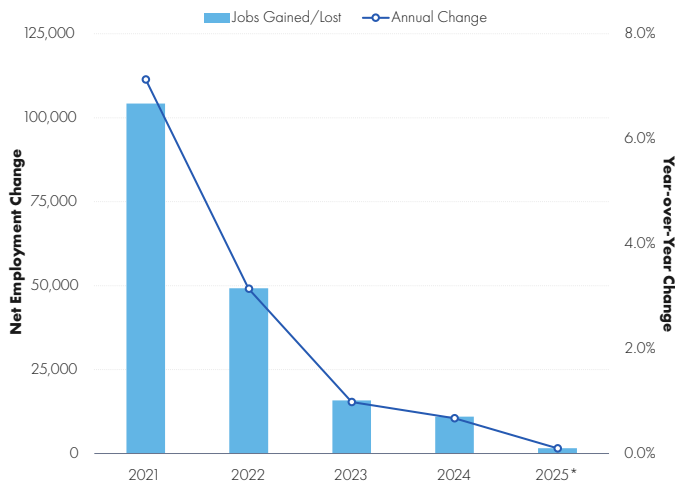
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Avana Belmar	7301 W. Ohio Ave., Lakewood	1988	512	\$144,053,000	\$281,354
Broadstone at Sterling Ranch	8425 Old Ski Run Cir., Littleton	2023	332	\$121,000,000	\$364,458
Gateway at Arvada Ridge Apartments	5458 Lee St., Arvada	2019	296	\$108,750,000	\$367,399
The Links at Plum Creek	1100 Plum Creek Pky., Castle Rock	2000	264	\$82,000,000	\$310,606
Sofi Belmar	823 S. Vance St., Lakewood	1985	198	\$46,000,000	\$232,323

## LOOKING AHEAD

Shifts in multifamily operating conditions in Denver are expected to be modest in the fourth quarter. Vacancies are expected to end the year close to its current level, which would represent the first calendar-year improvement since 2021. Still, rents are expected to inch a bit lower to close the year, although the sharpest declines have likely already occurred and conditions have been mostly stable in recent periods. Supply-side pressures are expected to ease. The number of units completed in 2025 is forecast to fall 34% from last year, and the construction pipeline is expected to continue tapering through 2026. With absorption remaining strong and deliveries declining from the highs of 2024 and 2025, there should be increased opportunities for rent growth in 2026 and 2027.

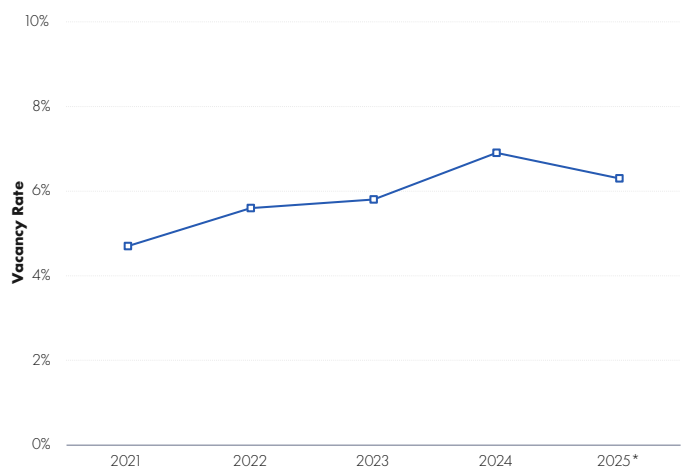
Multifamily sales activity in Denver is projected to maintain current trends through the end of the year, with the number of transactions remaining modest and the mix continuing to be weighted toward mid-tier properties. Looking beyond 2025, improving operating conditions in 2026 should help boost investor activity during the next 12 to 24 months. This trend is likely to be particularly pronounced in Class A properties, which will benefit from slowing supply growth and may begin to capture a greater share of total transactions, as they did in recent years. Class C assets may continue to lag in their share of the transaction mix during the next year. Even so, recent decreases in in Class C rents may stall, and by late 2026 or early 2027, interest in these lower-tier properties could increase as market conditions stabilize.

### EMPLOYMENT FORECAST



\* Year End Forecast  
Sources: Northmarq, Bureau of Labor Statistics

### VACANCY FORECAST



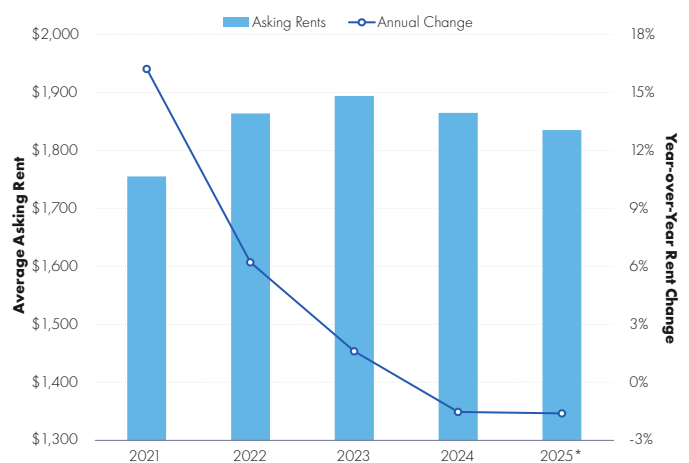
\* Year End Forecast  
Sources: Northmarq, Apartment Insights

### CONSTRUCTION & PERMITTING FORECAST



\* Year End Forecast  
Sources: Northmarq, Apartment Insights, Census Bureau

### RENTS FORECAST



\* Year End Forecast  
Sources: Northmarq, Apartment Insights



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