

Fundamentals set to improve with cooling supply

HIGHLIGHTS

- Operating conditions in the Denver multifamily market softened during the fourth quarter, tracking seasonal trends recorded during the past decade. Completions dropped 31% in 2025, and the active development pipeline contracted as developers pulled back on new starts.
- After tightening in each of the first three quarters of the year, vacancy rates adjusted in the fourth quarter, rising 130 basis points to 7.6%. For the full year, the vacancy rate rose 70 basis points.
- After trending upward during the first half of 2025, rents retreated to close the year. Average asking rents dropped 3.4% in the fourth quarter to \$1,777 per month, contributing to a full-year decline of 4.7%.
- Deal flow slowed in 2025, with the total number of transactions falling 16% annually. While overall sales volume trailed historical averages, smaller deals bucked the trend; transactions in the \$5-million to \$15-million range nearly doubled from 2024.

DENVER MULTIFAMILY MARKET OVERVIEW

After posting mostly steady performance during the first nine months of 2025, seasonal factors resulted in softening property fundamentals in the Denver multifamily market during the fourth quarter. Vacancy increases, rent declines, and a cooling pace of renter demand during the closing months of the year have been common in Denver for the past decade, but the recent downturn was more pronounced than in prior years. These seasonal trends were amplified by steady levels of new inventory, with more than 14,400 units coming online during the year. However, not all submarkets moved in the same direction. The Thornton/Northglenn, Aurora South, and Westminster submarkets all posted annual vacancy improvements in 2025, defying the broader softening trend. Vacancies in these three submarkets combined to average approximately 6.2%, significantly tighter than the metro average.

Multifamily investment activity moderated during 2025, with the transaction count falling approximately 16% year over year and trailing the five-year average. Despite this contraction in deal flow, pricing metrics stabilized; the median sale price inched higher to \$286,800 per unit, though values remain roughly 16% below the market peak observed in 2021. Values for Class A and Class B properties trended higher in 2025, though the Class C segment faced continued headwinds, with pricing dropping to a median of \$167,100 per unit. Institutional capital was concentrated in stabilized suburban pockets, particularly in South Douglas County and the Lakewood/West Corridor. Sales volume in South Douglas County doubled to \$561 million across six transactions, driven by sales of large, stabilized assets. Meanwhile, the Lakewood/West Corridor recorded seven sales totaling \$528 million, with pricing holding firm at roughly \$322,750 per unit. Momentum accelerated in the second half of the year, outpacing the lows of 2023, while a 16% increase in trades of newer vintage assets helped lift overall market pricing.

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **24,177**

UNITS DELIVERED (YTD) **14,439**

MARKET FUNDAMENTALS



VACANCY RATE **7.6%**

YEAR-OVER-YEAR CHANGE **+70bps**

ASKING RENTS **\$1,777**

YEAR-OVER-YEAR CHANGE **-4.7%**

TRANSACTION ACTIVITY (YTD)



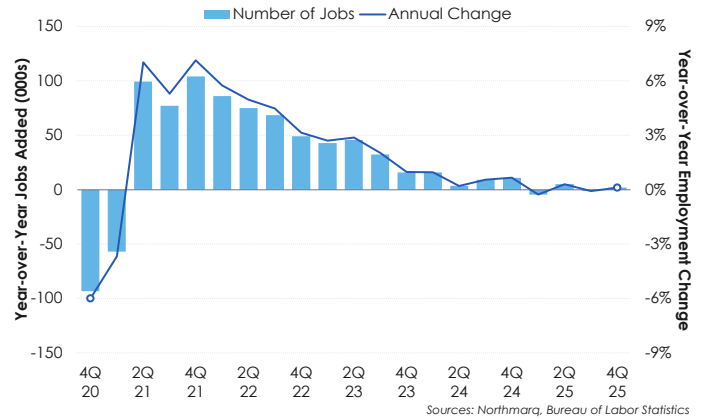
MEDIAN PRICE PER UNIT **\$286,800**

EMPLOYMENT

- The labor market in Denver posted weak growth for much of the past year. The local economy added roughly 2,000 jobs, resulting in growth of just 0.1% in 2025.
- Denver’s information sector continues to outperform, recording the strongest rate of expansion among all employment categories in 2025. The sector added 3,500 jobs during the past year, expanding payrolls by 7.1%
- In December, state officials approved incentives for Ursa Major, securing 1,850 new aerospace jobs over the next eight years. With an average salary of \$128,000, this expansion supports long-term housing demand in the North Metro area.
- **FORECAST:** Employment growth is projected to remain positive but modest in 2026, with Denver expected to add approximately 8,000 jobs. This moderated pace is largely attributed to labor supply constraints, specifically declining net migration, rather than a softening in employer demand.

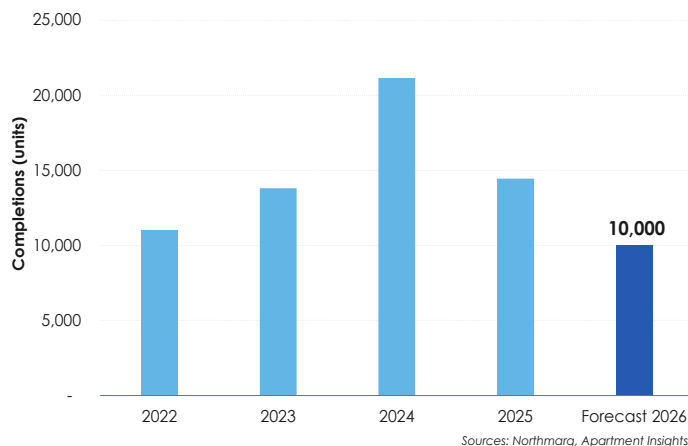
The local economy added roughly 2,000 jobs in 2025.

EMPLOYMENT OVERVIEW



Developers completed 14,400 units in 2025.

DEVELOPMENT TRENDS

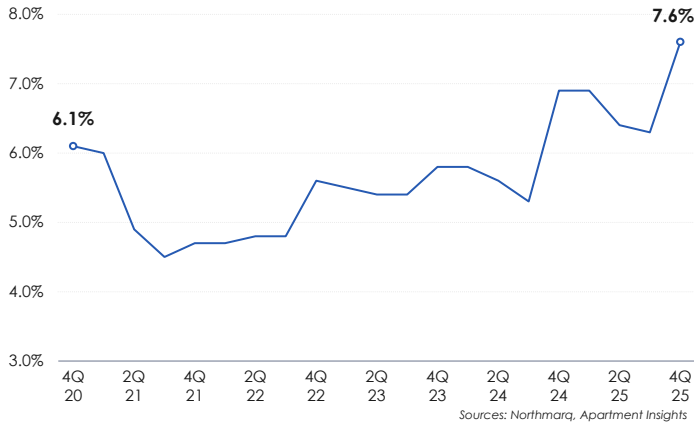


DEVELOPMENT & PERMITTING

- Construction activity moderated in the fourth quarter with the delivery of fewer than 3,000 units. For the full year, developers completed more than 14,400 units in Denver, a 31% decline from the 2024 total.
- The volume of active projects shrank in the fourth quarter as developers pulled back on new groundbreakings. The 24,177 units currently under construction represent a 17% drop from the same time last year.
- Multifamily permitting increased in 2025 after hitting a decade low in 2024. Developers pulled permits for roughly 8,000 units, a 22% annual gain that aligns with the historical average.
- **FORECAST:** Developers are on track to deliver approximately 10,000 units in the coming year. Aurora East will capture the largest share of these deliveries, outpacing downtown submarkets where the construction pipeline has largely cooled.

Vacancy increased by 70 basis points annually.

VACANCY TRENDS



VACANCY

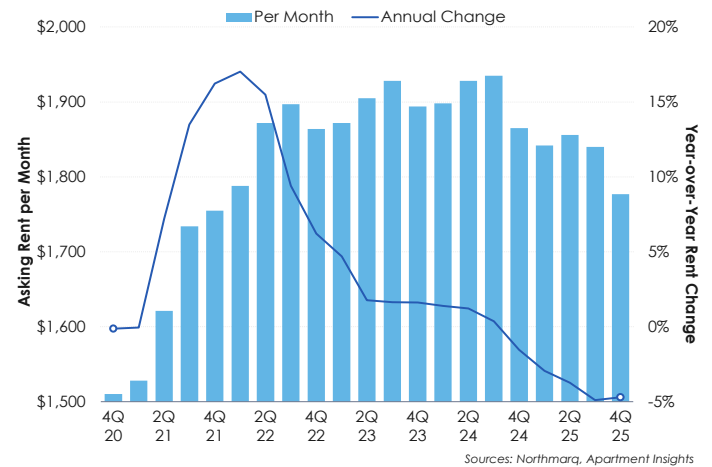
- After declines during the first nine months of 2025, the vacancy rate in Denver spiked during the fourth quarter, part of a seasonal trend that has occurred for the past decade. Area vacancy rose 130 basis points during the fourth quarter to 7.6%. Vacancy increased by 70 basis points annually.
- While the vacancy rate across most parts of the region rose during the past year, the CBD recorded the greatest improvement. Apartment vacancy in downtown declined by nearly 90 basis points in 2025 to 7.6%.
- Class A and Class B vacancy rates rose slightly over the last year, each increasing by less than 40 basis points to finish 2025 at 6.1% and 7.1%, respectively.
- **FORECAST:** Area vacancy is forecast to inch lower in 2026, supported by a slowing pace of new development. Vacancy is projected to drop 40 basis points in 2026 to 7.2%; still, the rate will remain above Denver’s decade-long average of 5.9%.

RENTS

- Apartment rents in Denver trended downward in 2025, falling in each of the final three quarters. Average rents declined 3.4% during the fourth quarter to \$1,777 per month, bringing the annual decrease to 4.7%. Although rents have dipped in the fourth quarter of nearly every year for the past decade, this recent downturn was more pronounced than typical seasonal softening.
- Nearly all submarkets are reporting negative annual rent growth for 2025. The steepest declines are occurring in construction-heavy areas like Aurora, where rents are down 15% from the previous year. Downtown Denver has also reported heavy losses, with annual rents down 4.9%.
- Every asset class recorded negative rent growth in 2025. Class A rents decreased 4.2% year-over-year to \$2,809 per month, and Class B rents fell 2.7% to \$1,824. Class C properties saw the largest drop, declining 6.6% to \$1,240 per month.
- **FORECAST:** Positive rent growth is projected to return in 2026 following two years of declines, though gains will likely remain modest. Average rents are forecast to finish the year at \$1,800 per month, a 1.3% increase.

Average asking rents declined 3.4% to \$1,777 per month.

RENTS TRENDS

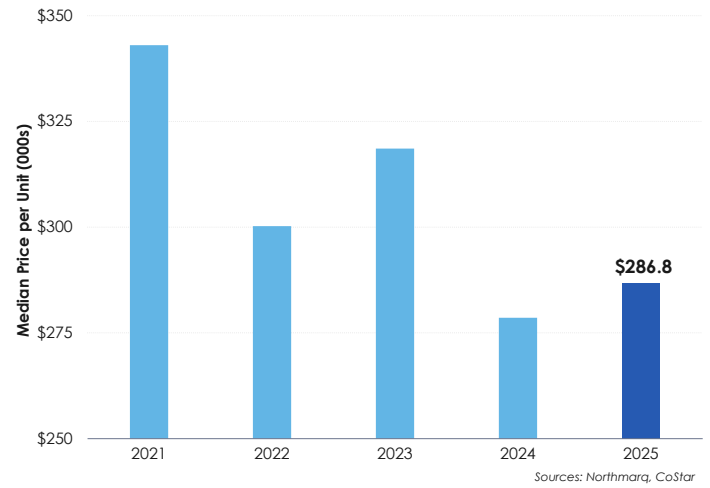


MULTIFAMILY SALES

- Deal flow slowed in 2025, with the total number of transactions falling 16% annually. While overall sales volume trailed historical averages, smaller deals bucked the trend; transactions in the \$5 million to \$15 million range nearly doubled from 2024.
- Transaction activity in Downtown Denver and Aurora slowed sharply in 2025, dropping more than 50% from last year. In contrast, suburban stability drew capital to the Lakewood/West Corridor, which led the region in transactions, followed closely by South Douglas County.
- Following a decline in the previous year, per-unit sales prices trended higher in 2025. The median sale price for the full year reached \$286,800 per unit, a 3% increase from levels recorded in the prior 12-month period.
- Institutional deal flow surged in the fourth quarter, which saw more assets trade above \$20 million than any other quarter this year. The average cap rate tightened by 20 basis points year-over-year, finishing 2025 at approximately 5.0%.

The median sale price for the full year was \$286,800 per unit.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

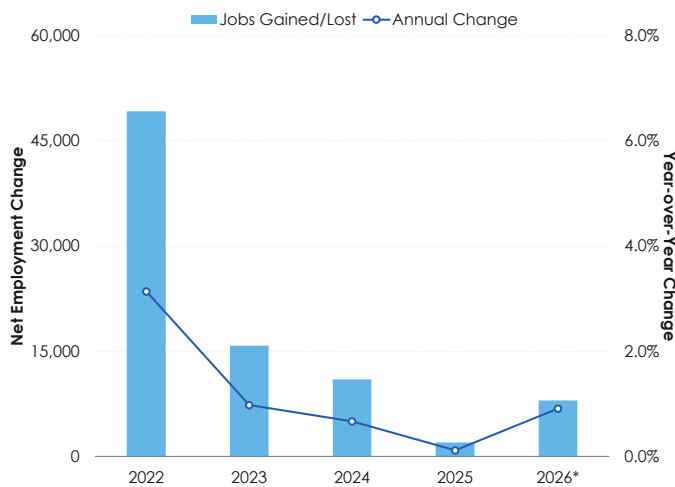
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Raleigh at Sloan's Lake	1650 N Raleigh St., Denver	2020	249	\$125,600,000	\$504,418
Silver Reef	12419 W 2nd Pl., Lakewood	1985	419	\$104,950,000	\$250,477
The View at Golden Ridge	544 Golden Ridge Road, Golden	2015	177	\$81,875,000	\$462,571
Monaco Row Apartments	4665 S Monaco St., Denver	2013	196	\$64,800,000	\$330,612
Red Hawk Crossing	1457 Red Hawk Ridge Drive, Castle Rock	2015	60	\$24,700,000	\$411,667

LOOKING AHEAD

The soft conditions recorded during the fourth quarter of 2025 offset some of the stabilizing forces that were recorded across the multifamily market over the first nine months of 2025. Much of the recent performance can be attributed to seasonal forces and not a correction in market direction that will carry over into 2026. In addition to some seasonality, market fundamentals were influenced by continued supply-side pressures. These should ease going forward and the outlook for 2026 points toward a modest recovery. The construction pipeline has already begun to thin, and deliveries are forecasted to drop off significantly compared to the elevated levels from 2023-2025. As this pressure lessens, the market is positioned to work through existing inventory, leading to the market's first annual vacancy decline since 2021.

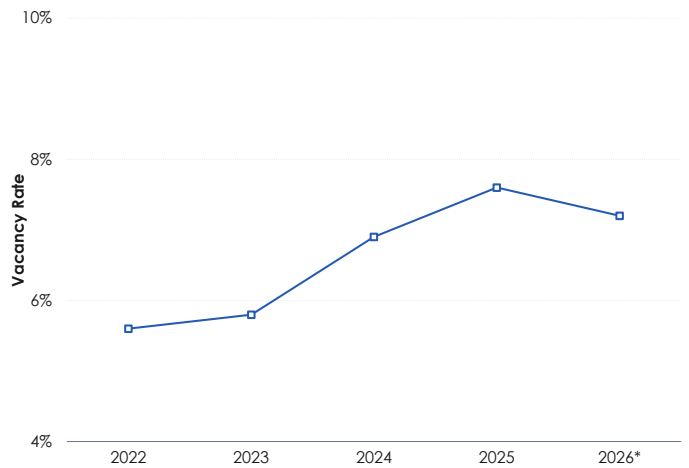
Multifamily sales activity is projected to maintain its current trajectory through 2026, with the number of transactions remaining modest and the deal mix continuing to favor mid-tier assets. While overall investment activity was limited in 2025, the market generated positive momentum in the final two quarters of the year, characterized by a pickup in transaction counts and an increase in total sales volume. This late-year acceleration suggests that investor confidence is beginning to return to the market. Some improving operating conditions in 2026 could catalyze investor activity over the next 12 to 24 months. This recovery will likely be most pronounced within the Class A segment, which stands to benefit directly from slowing supply growth and may begin to capture a greater share of total transactions, mirroring trends seen in previous peak years. Conversely, Class C assets may continue to lag in the transaction mix in the near term.

EMPLOYMENT FORECAST



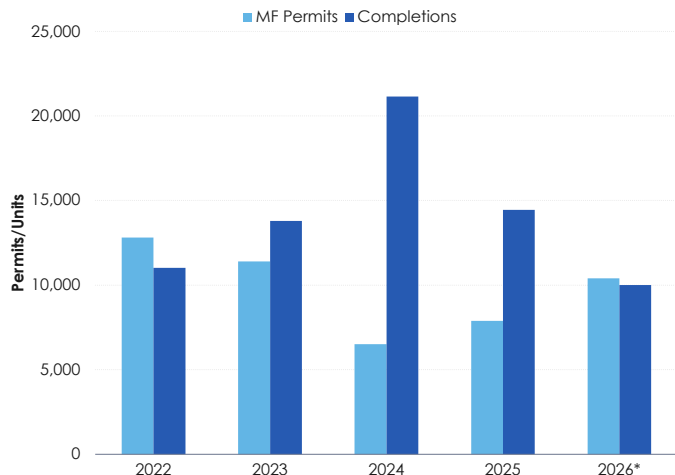
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



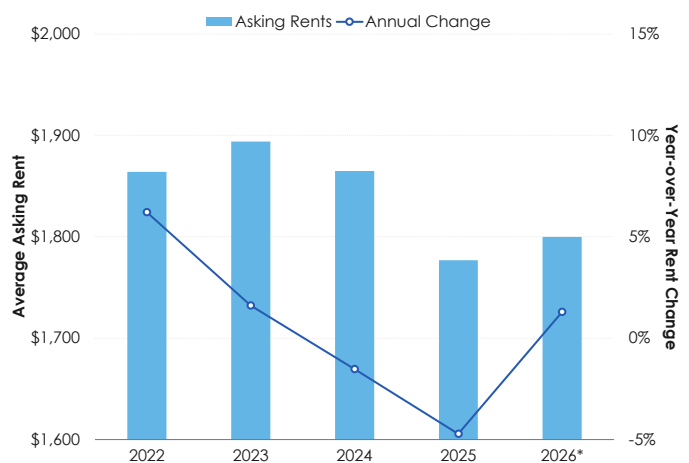
* Year End Forecast
Sources: Northmarq, Apartment Insights

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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