Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	29,135
UNITS DELIVERED (YTD)	19,840

MARKET FUNDAMENTALS

VACANCY RATE	6.9%
YEAR-OVER-YEAR CHANGE	+110bps
ASKING RENTS	$1,865
YEAR-OVER-YEAR CHANGE	-1.5%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$278,600

DENVER MULTIFAMILY
4Q 2024

MARKET INSIGHTS

Investment activity gains ground to close 2024

HIGHLIGHTS

- Operating conditions in the Denver multifamily market softened during the fourth quarter, tracking seasonal trends recorded during the past decade. Completions reached peak levels in 2024, but the development pipeline has thinned significantly as starts slowed.
- Area vacancy rose by 160 basis points during the fourth quarter to 6.9 percent. Year over year, vacancy is up 110 basis points.
- After rising throughout the first nine months of 2024, rents decreased to close the year. Average rents dropped 3.6 percent in the fourth quarter to $1,865 per month. During the past year, rents declined by 1.5 percent.
- Investment activity in Denver picked up from the low totals posted in 2023, but transaction volume during the past year still lagged historical levels. Sales volume in 2024 outpaced levels recorded in the previous year by 29 percent. The median price in 2024 was $278,600 per unit, down 13 percent from 2023.

DENVER MULTIFAMILY MARKET OVERVIEW

After performing well during the first nine months of 2024, 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 during the past decade, but the recent downturn was more extreme than it has been in prior years. The seasonal trends were amplified by elevated levels of new inventory during 2024, with more than 19,800 units coming online during the course of the year. While an influx of new supply hit the market in 2024, not all submarkets moved in the same direction. The Central Business District, Denver Northeast, and Denver Northwest submarkets all posted modest annual vacancy improvements in 2024, despite being some of the most active portions of the region for new development. Vacancies in these three submarkets combined to average approximately 6 percent, lower than the metro average.

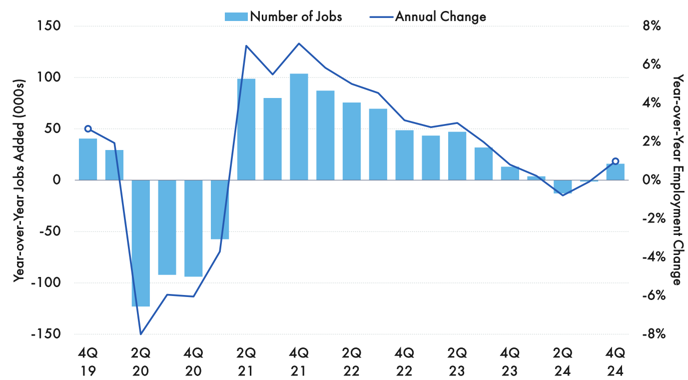
While investment activity was limited again in 2024, there was some positive momentum generated in the final two quarters of the year. Transaction volume in the second half outpaced levels recorded during the same period of 2023 by about 50 percent and sales totals in 2024 were up nearly 30 percent compared to the prior year. Class B properties accounted for about half of the total transactions in 2024, closely tracking trends recorded in 2022 and 2023, although sales of newer properties tapered off in 2024. This shift away from these assets was a primary driver as overall pricing trended lower during 2024. The median price was $278,600 per unit, down 13 percent from one year earlier.

EMPLOYMENT

- Employment growth in Denver was modest during 2024, lagging the region's long-term averages. Area employers added 16,000 workers during the past year, a 1 percent increase to total payrolls.
- The healthcare and social assistance sector recorded some of the strongest employment gains in the past year. In 2024, this sector expanded by 5,000 workers, an annual increase of 2.9 percent.
- British betting company, bet365, recently announced the company will be investing more than $40 million into its headquarters in Downtown Denver with plans to hire up to 1,000 workers in the coming years. The investment will create jobs in several fields including legal, finance, recruitment, marketing, software development, customer service and other sectors.
- **FORECAST:** Employers are expected to add workers at a similar pace to the gains that have been recorded in each of the past two years. Total employment in the Denver area is expected to reach about 15,000 net new jobs in 2025, a 0.9 percent increase to payrolls.

Area employers added 16,000 workers during the past year.

EMPLOYMENT OVERVIEW



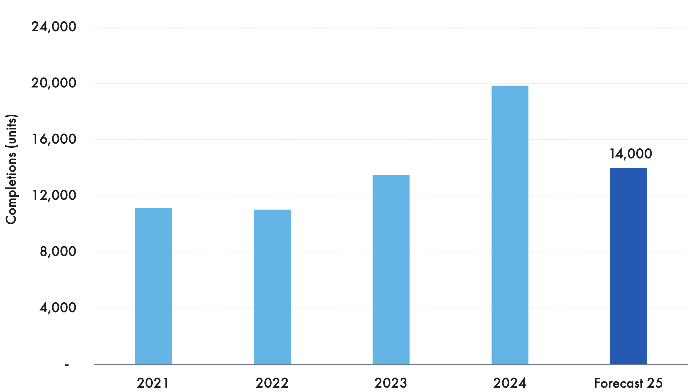
Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

- Although the pace of multifamily deliveries slowed during the final months of 2024, annual completions were elevated throughout much of the past year. Projects totaling more than 19,800 units came online in Denver in 2024, after developers delivered an average of 12,700 units per year during the preceding five years.
- The construction pipeline has thinned considerably in recent quarters as completions were elevated and construction starts tapered off. Projects totaling approximately 29,100 units were under construction at the end of 2024, down more than 30 percent from levels recorded one year earlier.
- Multifamily permitting was modest in 2024 following three consecutive years of elevated totals. Developers pulled permits for approximately 6,500 units during 2024, down 43 percent from the 2023 total and almost 60 percent lower than peak levels recorded in 2021.
- **FORECAST:** Completions are forecast to come down in 2025, more closely tracking traditional norms. Projects totaling approximately 14,000 units are expected to be delivered in the coming year.

Developers pulled permits for approximately 6,500 units during 2024.

DEVELOPMENT TRENDS



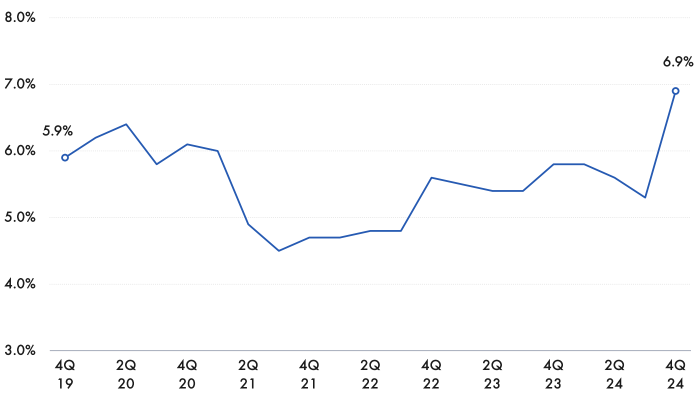
Sources: Northmarq, Apartment Insights

VACANCY

- After declines during the first nine months of 2024, 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 160 basis points during the fourth quarter to 6.9 percent. Vacancy increased by 110 basis points annually.
- While the vacancy rate across most parts of the region rose during the past year, the Parker submarket recorded the greatest improvement. Apartment vacancy in this submarket declined by 60 basis points in 2024 to 5.8 percent.
- While deliveries have been elevated, Class A properties have posted fairly consistent vacancy rates for the past two years. In 2024, vacancies across the Class A segment of the market rose just 20 basis points to 6.1 percent. Vacancy rates among Class B properties closely tracked the metro average, while Class C vacancies ended the year at 8 percent.
- **FORECAST:** Area vacancy is expected to trend lower over the next few quarters after recording a steep increase in the closing months of 2024. Still, the vacancy rate is forecast to close 2025 above the region's long-term average. Vacancy is projected to finish 2025 at 6.5 percent, an annual improvement of 40 basis points, but above Denver's decade-long average of 5.7 percent.

Class A properties have posted fairly consistent vacancy rates for the past two years.

VACANCY TRENDS



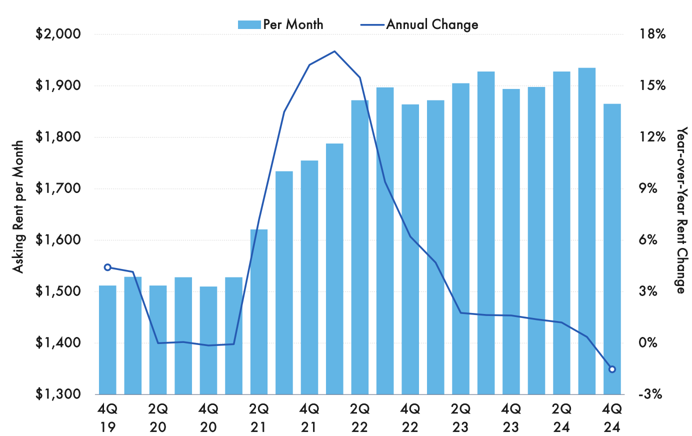
Sources: Northmarq, Apartment Insights

RENTS

- Apartment rents in Denver trended lower in recent months after rising in each of the first three quarters of the year. Average rents declined by 3.6 percent during the fourth quarter to $1,865 per month. Rents were down 1.5 percent in 2024. While typically less extreme than the recent downturn, rents have decreased in the fourth quarter of nearly every year for the past decade.
- Rental trends were strong in the Boulder area. The Boulder South submarket recorded the steepest rent growth in the region during 2024 while Boulder North also posted a healthy gain. Rents in Boulder South closed the year at $1,905 per month, up 3.3 percent annually, while rents in Boulder North rose 2.5 percent to $2,295 per month.
- Rents declined across asset classes during the past year. Class A rents finished 2024 at $2,933 per month, down 2.6 percent annually. Declines were milder for middle-tier properties, as Class B rents declined by 0.8 percent in the past year to $1,875 per month.
- **FORECAST:** Positive rent growth is forecast to resume in the coming year, but gains will likely be modest. Average rents are projected to finish 2025 at $1,890 per month, up 1.3 percent for the full year.

Rents are projected to finish 2025 at $1,890 per month.

RENTS TRENDS



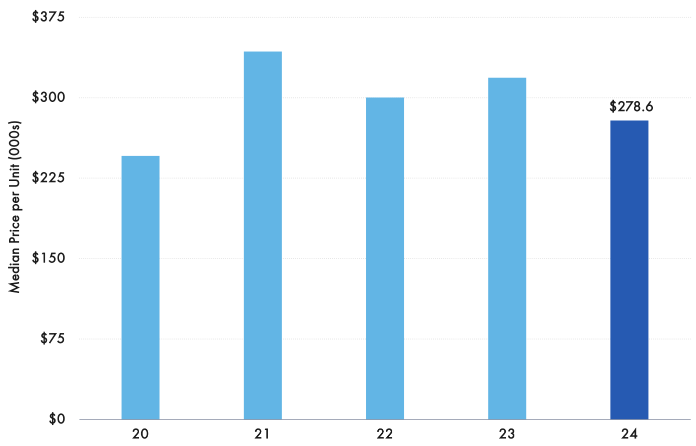
Sources: Northmarq, Apartment Insights

MULTIFAMILY SALES

- Investment activity picked up in 2024 after light transaction volume in 2023. Total sales in 2024 outpaced year-earlier levels by 29 percent. However, annual sales volume in 2024 is still down about 35 percent from average levels recorded during the previous 10 years.
- While Aurora, Lakewood/West Corridor, and Downtown Denver led the region in sales activity in 2024, transaction volume in the Englewood/Littleton submarket picked up after being limited in prior years. The Englewood/Littleton area accounted for 10 percent of total sales in 2024, after not recording a single sale of greater than 100 units in either 2023 or 2021.
- Large transactions gained momentum at the end of the year. More properties sold for more than $100 million in the fourth quarter than during any single quarter since the middle of 2022.
- Following three consecutive years of elevated pricing, per-unit sales prices trended lower in 2024. The median price for the full year was $278,600 per unit, down 13 percent from levels recorded in the prior 12-month period.
- Cap rates came down during the second half of 2024 after averaging roughly 6 percent during the first six months of the year. Cap rates averaged 5.25 percent during the second half of 2024.

The median price for the full year was $278,600 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

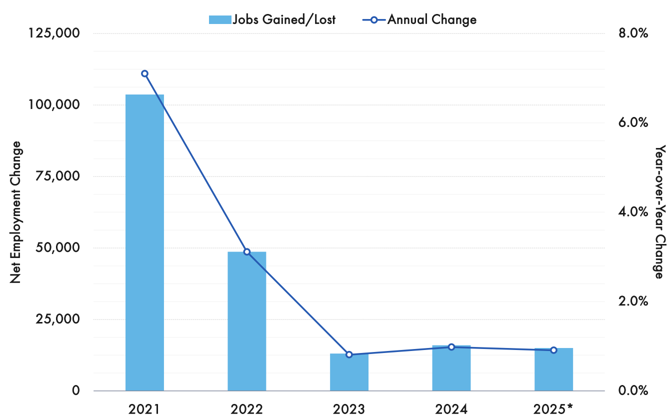
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Altitude at Lone Tree	10185 Park Meadows Dr., Lone Tree	2005/2019	427	$138,250,000	$323,770
Avalon Lowry	7108 E Lowry Blvd., Denver	2019	347	$136,500,000	$393,372
Bell Denver Tech Center	4380 S Monaco St., Denver	2007	398	$126,700,000	$318,342
Alta Green Mountain	13055 W Mississippi Ct., Lakewood	2020	260	$104,600,000	$402,308
Velaris Living	2130 Arapahoe St., Denver	2023	351	$101,600,000	$289,459

LOOKING AHEAD

Property fundamentals in the Denver multifamily market are projected to improve in the coming year as inventory growth will be well below recent peak levels. After a surge in completions in 2024, projects totaling 14,000 units being forecast to come online in the coming year, closer to the region's long-term supply growth trends. Vacancy is forecast to post a modest decline, with the rate dipping to 6.5 percent, about 80 basis points higher than the market's average over the past 10 years. The mid-6 percent range may be the norm for vacancy in the coming years as inventory in Denver has expanded by 25 percent since the beginning of 2020. There should be room for modest rent increases across most submarkets in 2025, but it may take another year for gains to return closer to the region's long-term trend.

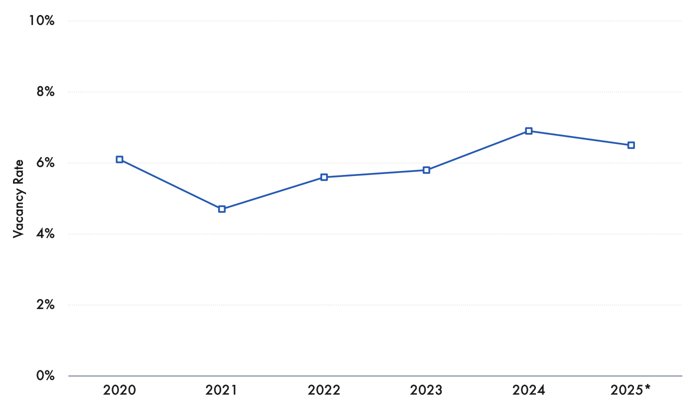
Sales activity in the Denver multifamily market should gain some ground in the coming year, building upon the increases in activity that began in the second half of 2024. A return to historical levels of supply growth and continued leasing activity should buoy investor sentiment. Investors will likely track the pace of population growth and employment expansion. Denver had been a leading market for net in-migration from other states in prior years, but that pace has slowed. Business attraction has also leveled off, with employment expanding by about 1 percent per year since 2023, after growth in excess of 2 percent per year was common since 2014. A return to a faster pace of economic growth would likely spur some additional investment activity over the long term.

EMPLOYMENT FORECAST



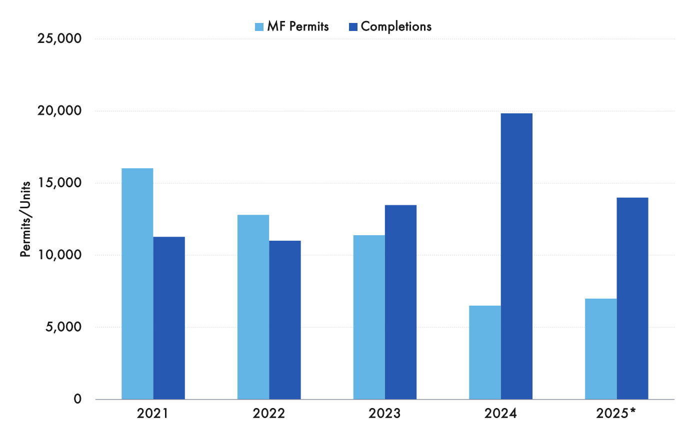
** Year End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



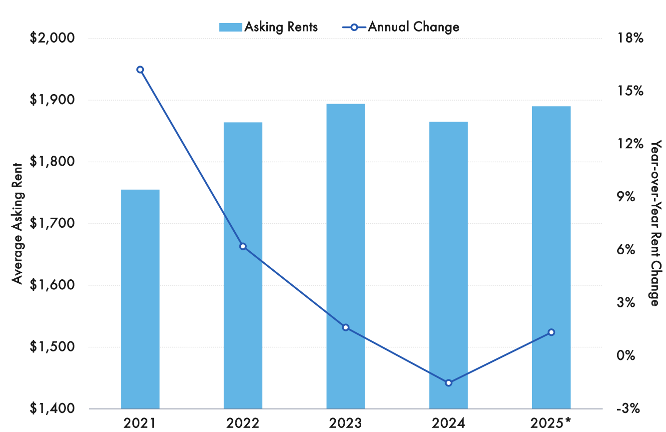
** Year End Forecast*
Sources: Northmarq, Apartment Insights

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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FOR MORE INFORMATION, **PLEASE CONTACT**

DAVE MARTIN
Regional Managing Director, Investment Sales
303.255.2130
dmartin@northmarq.com

BRIAN MOONEY
Vice President, Investment Sales
303.225.2131
bmooney@northmarq.com

DAVID LINK
Regional Managing Director, Debt + Equity
303.225.2109
dlink@northmarq.com

LINDSEY FAHEY
Vice President, Debt + Equity
303.255.2139
lfahey@northmarq.com

PETE O'NEIL, *Director of Research* | 602.508.2212 | poneil@northmarq.com

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