

Denver 2024 Market Forecast

MARKET SNAPSHOT



AVERAGE RENT
\$1,815 4Q 2023
\$1,848 4Q 2024



2024 RENT CHANGE
1.8%



OCCUPANCY RATE
94.1% 4Q 2023
93.8% 4Q 2024



4Q 2024 OCCUPANCY CHANGE
-30 points



EMPLOYMENT*
1.59M 2023
1.60M 2024



UNEMPLOYMENT RATE**
3.1% 2023
3.3% 2024

* Please note that these employment figures have been adjusted for seasonal variations and are based on Moody's Analytics forecast as of January 1, 2024.

** Please note that these unemployment rates are estimates that have not been adjusted for seasonal variations, and they are derived from Moody's Analytics forecast as of January 1, 2024.

KEY TAKEAWAYS

- Denver's robust pipeline of around 28,000 units under construction will maintain pressure on occupancy rates, though potential relief may emerge by 2025.
- The significant decrease in new apartment construction starts indicates potential relief from supply pressures by 2025, which could lead to an increase in rent growth.
- Affordability is increasingly influencing renters' choices, with suburban regions like Northeast Adams County, characterized by lower rents and limited new construction, demonstrating durability and anticipating a 4.0% rent hike by late 2024.
- Denver's economic outlook for 2024 suggests tempered growth with a 0.4% job growth rate, supported by sectors like education and health services but challenged by contractions in financial and professional services.

Supply & Demand

2024 FULL YEAR FORECAST



10,148 Units
 FORECASTED ABSORPTION



12,294 Units
 FORECASTED NEW SUPPLY

Annual Demand Vs Completions



Demand / Occupancy Outlook

While Denver's apartment market has seen a resurgence in demand, the substantial pipeline of new developments is exerting downward pressure on occupancy rates, which have dipped from a recent high of 95.1% in early 2022 to 94.1% by the end of 2023. This stabilization in demand follows a period of fluctuation, with absorption rates in the last three quarters of 2023 exceeding 2,000 units, aligning with the pre-2020 average. However, with new supply consistently outstripping demand since mid-2021, except for the second quarter of 2022, this ongoing imbalance is poised to constrain both rent growth and occupancy rates, especially in metro areas with a high ratio of scheduled deliveries to existing inventory.

New Supply Outlook

Denver remains a national leader in construction activity, with approximately 28,000 apartment units currently underway, a slight decrease from the peak of over 37,000 units in early 2023. Despite the high level of construction activity, new project starts have significantly declined due to the increasing challenges developers face in securing financing. Downtown Denver, known for its dense supply, has about 7,200 units in progress, while the fashionable RiNo neighborhood continues to attract development due to its high rental rates. Developers are also focusing on emerging live/work/play areas along the RTD Light Rail network, particularly along the A Line that links Denver International Airport with Downtown. With around 12,300 units expected to be completed in the next year, the substantial pipeline, despite a slowdown in new starts, is likely to continue exerting pressure on Denver's occupancy rates. However, the notable reduction in new apartment construction starts suggests that by 2025, the market could experience alleviation from supply-side pressures, potentially bolstering rent growth.

Occupancy & Rent Trends

RENT VS OWN MONTHLY PAYMENT



\$3,393

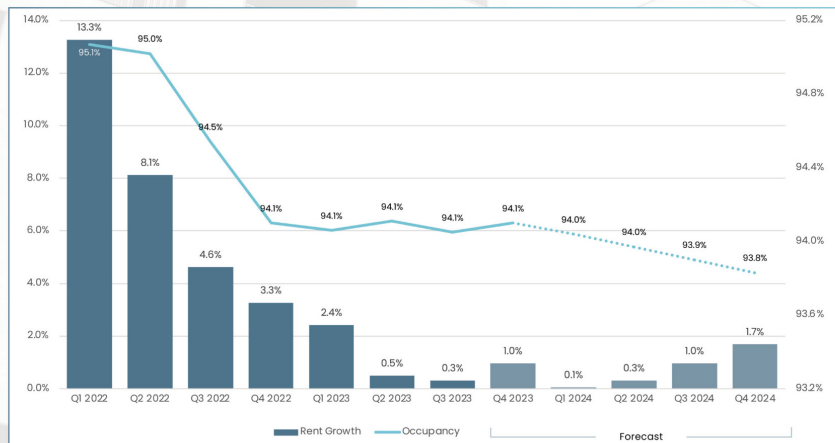
Average Monthly Mortgage Payment



\$1,815

Average Monthly Rent

RENT vs OCCUPANCY



2024 RENT TRENDS OUTLOOK

In the Denver metro area, average rents have climbed to \$1,815 per month, marking a modest 1.0% increase over the past year. The luxury market, in particular, has faced challenges, with its ability to raise rents diminished by competition from newly leased properties, leading to a significant slowdown in rent growth from double-digit increases to just 0.4% in the last quarter of 2023. High-end urban areas, traditionally leaders in rent growth, have seen a reversal, with Downtown Denver experiencing a 1.2% decrease in rent growth due to the concentration of new construction. In contrast, affordability has become a key factor for renters, with suburban areas like Northeast Adams County, where rents are lower and new construction is minimal, showing resilience and even an expected 4.0% rent increase by the end of 2024. Despite Denver's active construction pipeline, overall rent growth in the city is forecasted to average 1.7% by the final quarter of 2024, reflecting the ongoing impact of supply pressures on the market.

Submarket Rent & Occupancy

Submarket	Q4 2023 Stabilized Occupancy	Q4 2024 Stabilized Occupancy (f)	Annual Occupancy Change (2024/2023)	Q4 2023 Average Monthly Rent	Q4 2024 Average Monthly Rent (f)	Annual Rent Change (2024/2023)
Aurora	93.9%	93.6%	-0.3%	\$1,699	\$1,705	0.4%
Broomfield County	94.3%	94.0%	-0.3%	\$1,876	\$1,911	1.9%
Downtown Denver	93.3%	93.0%	-0.3%	\$1,922	\$1,957	1.8%
DTC/Southeast Corridor	94.5%	94.4%	-0.1%	\$1,981	\$1,992	0.5%
East Denver	94.2%	94.0%	-0.2%	\$1,791	\$1,832	2.3%
Englewood/Littleton	94.3%	94.1%	-0.2%	\$1,630	\$1,687	3.5%
Glendale University Area	94.1%	93.8%	-0.4%	\$1,571	\$1,608	2.4%
Highlands Ranch	94.2%	93.9%	-0.3%	\$2,043	\$2,067	1.2%
Lakewood/West Corridor	95.2%	95.1%	-0.1%	\$1,720	\$1,757	2.2%
North Jefferson County	94.4%	94.1%	-0.3%	\$1,799	\$1,867	3.8%
Northeast Adams County	94.3%	93.9%	-0.4%	\$1,694	\$1,761	4.0%
Northwest Adams County	93.3%	93.0%	-0.4%	\$1,708	\$1,741	1.9%
Outlying Arapahoe County	100.0%	100.0%	0.0%	\$2,199	\$2,145	-2.5%
South Adams County	94.2%	93.9%	-0.3%	\$1,584	\$1,566	-1.2%
South Douglas County	94.6%	94.3%	-0.3%	\$1,934	\$1,980	2.4%
South Jefferson County	95.3%	95.0%	-0.2%	\$1,960	\$1,970	0.5%
West Denver	94.9%	94.6%	-0.3%	\$1,826	\$1,824	-0.1%
Market	94.1%	93.8%	-0.3%	\$1,815	\$1,848	1.8%

Submarket Construction Pipeline



293,356

4Q 2023 Unit Inventory



27,842

Number of Units Under Construction



12,294

Number of Units UC Delivering
In the Next 4 Quarters

Submarket	Unit Inventory: 4Q 2023	Units Under Construction	% of Existing Inventory UC	% of Total UC	Units UC Delivering In the Next 4 Quarters
Aurora	36,736	3,478	9%	12%	798
Broomfield County	9,759	2,016	21%	7%	1,124
Downtown Denver	57,811	7,272	13%	26%	1,602
DTC/Southeast Corridor	13,604	1,533	11%	6%	844
East Denver	20,674	1,999	10%	7%	1,176
Englewood/Littleton	12,966	1,654	13%	6%	541
Glendale University Area	23,669	338	1%	1%	102
Highlands Ranch	11,002	850	8%	3%	849
Lakewood/West Corridor	24,596	1,485	6%	5%	501
North Jefferson County	12,547	1,503	12%	5%	911
Northeast Adams County	8,055	529	7%	2%	528
Northwest Adams County	19,795	919	5%	3%	917
Outlying Arapahoe County	270	0	0%	0%	0
South Adams County	5,318	581	11%	2%	580
South Douglas County	12,547	622	5%	2%	335
South Jefferson County	4,902	479	10%	2%	279
West Denver	19,105	2,584	14%	9%	1,207
Market	293,356	27,842	9%	100%	12,294

Sales Activity

The year 2023 ended on a muted note for the sales of conventional multifamily assets, according to preliminary data from MSCI. Despite the typical last-minute flurry of sales and the subsequent time required for data consolidation, it seems unlikely that any late surge would significantly shift the overall trend observed throughout the year. The fourth quarter witnessed \$782.4 million in sales, an improvement over the previous year yet the lowest for a fourth quarter since 2014, excluding 2022. Consequently, the annual transaction volume settled at \$2.11 billion from 67 individual asset sales, marking a 36% reduction from the year before and the smallest annual total in more than a decade. Looking forward to 2024, the market could offer promising prospects for astute investors if interest rates find stability or decline, leveraging Denver's ongoing appeal as a premier destination for multifamily investments, especially with the potential for more competitively priced deals to surface.

Most Active Buyers (Previous 24 Months)

1. MG Properties
2. Mesirow Financial
3. Ladera Capital Partners
4. MIG Real Estate

Most Active Sellers (Previous 24 Months)

1. Alliance Residential
2. Jackson Square
3. Continental Properties
4. Lion RE Group

TRANSACTION VOLUME
\$2.11B (p)

2023 Transaction Volume

-36%

Y-O-Y Change

58 YTD

Individual Transaction Count

\$314.5k*

Price Per Unit

-5.2%

Annual PPU Price Change

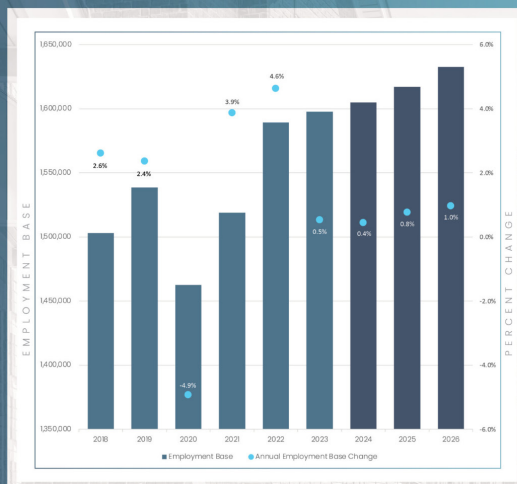
* Trailing 4Q average PPU

* Preliminary Data from RCA - Individual transaction \$2.5M +

P=Preliminary

Employment Forecast

EMPLOYMENT SECTOR FORECAST



Forecasted 2024 Employment Sector Growth

Sector	Employment Change 2023 to 2024	Percent Change
Overall Employment	7,600	0.4%
Manufacturing	0	0.0%
Construction	(800)	-0.9%
Trade, Transport, & Utilities	400	0.1%
Information	300	0.6%
Financial Activities	(700)	-0.6%
Professional & Business Services	(1,900)	-0.6%
Education & Health Services	2,700	1.4%
Government	4,600	2.1%
Leisure & Hospitality	1,100	0.6%
Natural Resources & Mining	2,200	24.2%
Other Services	(300)	-0.4%

Economic Outlook

Denver's economic landscape for 2024 is anticipated to be nuanced, with the metro likely to avert a recession and witness ongoing, albeit modest, job growth at a rate of 0.4%. The employment scene is expected to be buoyed by strong performances in sectors like education and health services, natural resources, and government. However, these positive trends may be partially counterbalanced by anticipated declines in the financial services and professional and business services sectors. The overall economic narrative for Denver in 2024 is one of cautious expansion, underpinned by high-income generating key sectors, yet tempered by the labor market's sensitivity to the sustained period of elevated interest rates.

Sources: Costar; Yardi Matrix; BLS; MSCI; Moody's Analytics

TO GAIN FURTHER INSIGHTS INTO THE DENVER MARKET PLEASE REACH OUT TO OUR NATIONAL TEAM



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