

2022 MID-YEAR

# DENVER CO

## Multifamily Report

**BERKADIA**<sup>®</sup>

a Berkshire Hathaway and Jefferies Financial Group company





# DENVER, CO EMPLOYMENT

## Jobs Added / Lost

### LAST 12 MONTHS

74,000

↑ 4.9%

### NEXT 12 MONTHS\*

30,800

↑ 1.9%

## Unemployment

### MID-YEAR 2022

3.2%

↓ 270 BPS YOY

### MID-YEAR 2023\*

2.4%

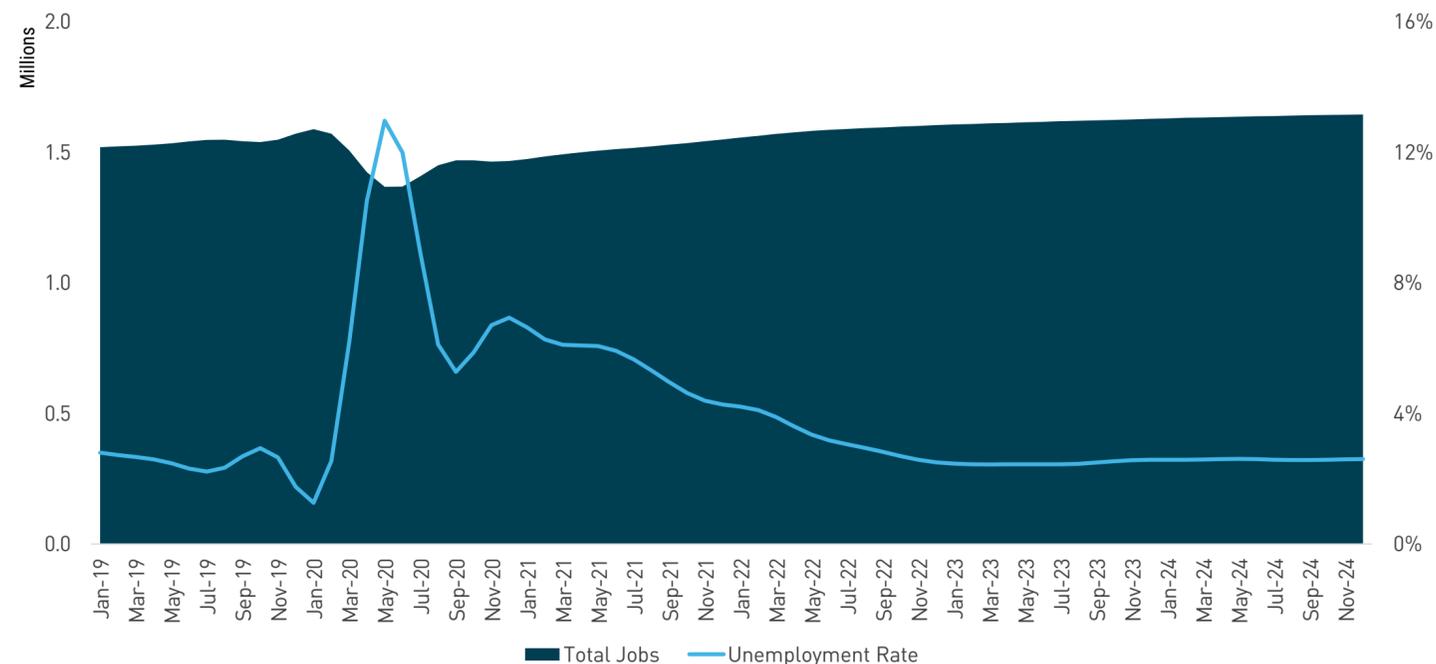
↓ 80 BPS YOY

\*Projected

Employment levels in Metro Denver neared full recovery in June 2022. At approximate 1.6 million total jobs, payrolls should exceed the previous peak in January 2020 by the third quarter of 2022. The rebound post-pandemic was uneven across sectors, as two of the hardest hit, education and health care, and leisure and hospitality will require additional time to reach pre-pandemic levels. Both sectors grew over the past 12 months, especially leisure and hospitality, which employers created and restored 15,600 jobs. As Denver maintained its reputation as a top market rich in skilled labor, professional and business services employers brought 19,900 new jobs, owed to the growing pool of tech employees from the East

and West Coasts and the nation's third largest market concentration of millennials. Metro Denver's trade, transportation, and utilities sector posted significant growth as well, with a 14,700-job expansion. This sector benefitted from record-setting absorption in Denver's industrial sector in 2021, led by logistics titans like Alan Richey Inc. and Aspen Distribution and companies such as Kroger Co. and Amazon.com Inc. opening new distribution hubs. Additionally, the trade, transportation and utilities sector benefited from increased activity at the Denver International Airport following the pandemic, with pending growth from United Airlines' expansion that will bring 3,000 new jobs over the next few years.

## Employment Trends



SOURCE: Moody's Analytics

## Who's Hiring?

### PROFESSIONAL & BUSINESS SERVICES



19%  
OF ALL JOBS IN THE METRO

\$78,312  
AVERAGE ANNUAL SALARY

## Top Professional & Business Services Employers



5,200 JOBS



4,390 JOBS



2,692 JOBS

## In The News

- [Pepsi to create 250 jobs at future 1.2M SF plant](#)
- [Kroger fulfillment center brings 400 jobs to Aurora](#)
- [Genapsys' expansion in Westminster brings 240 new jobs](#)



## DENVER, CO

# DELIVERIES & ABSORPTION

### 2022 Units\*

#### DELIVERIES

9,840

#### ABSORPTION

4,424

### 2023 Units\*

#### DELIVERIES

15,367

#### ABSORPTION

13,115

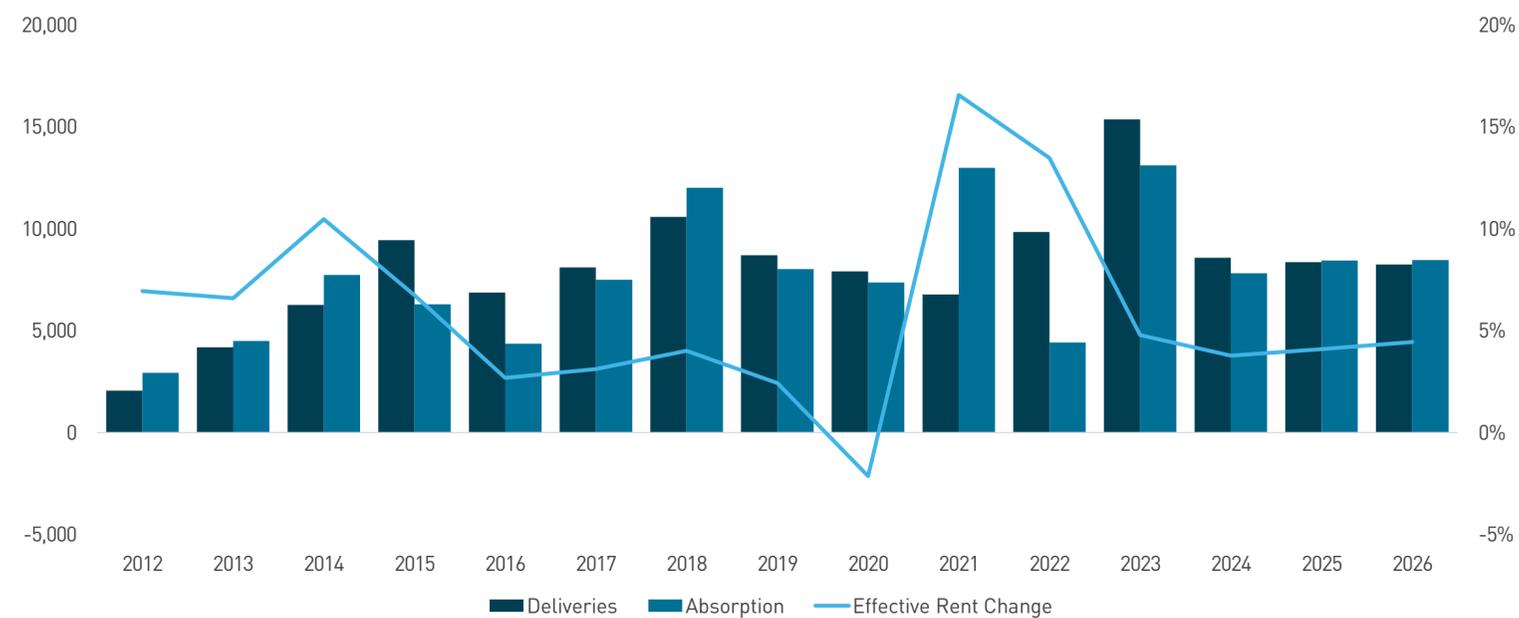
\*Projected

New apartment supply hit metro Denver at a faster rate than renters leased units in the first half of 2022. Builders delivered 4,781 new units, with Northeast Denver and Downtown/Highlands/Lincoln Park alone counting for 40% of completions at 1,018 and 893 new units, respectively. In all but the North Lakewood/Wheat Ridge submarket, deliveries were greater than absorption. The second quarter of 2022 is the first period since the first quarter of 2021 that deliveries outpaced absorption.

Downtown Denver could see as many as 1,867 total new units by year-end, narrowly above the 1,756 scheduled for delivery in the Northeast submarket. Also in the first half of 2022, builders broke ground on 7,387 units and

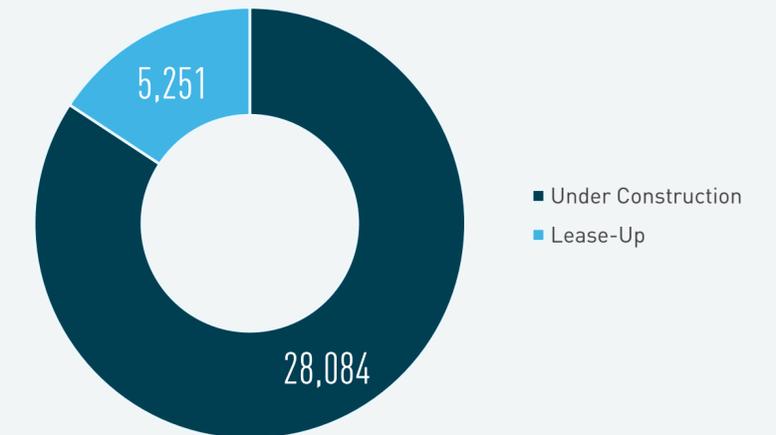
expect to start on 5,010 more units in the second half of the year. There is a flurry of new supply expected for the next two years, particularly in the downtown area. With the CBD office market still posting negative absorption, planning officials must continue revamping retail, dining, and entertainment options downtown to attract renters. Denver's suburban submarkets continue to bring in attractive amenities that might have only existed downtown pre-pandemic and have the advantage of more wallet-friendly rental rates. Regardless of location, it is still more affordable to rent than own a home, which will maintain demand for apartments metrowide.

## Deliveries, Absorption, & Effective Rent Change

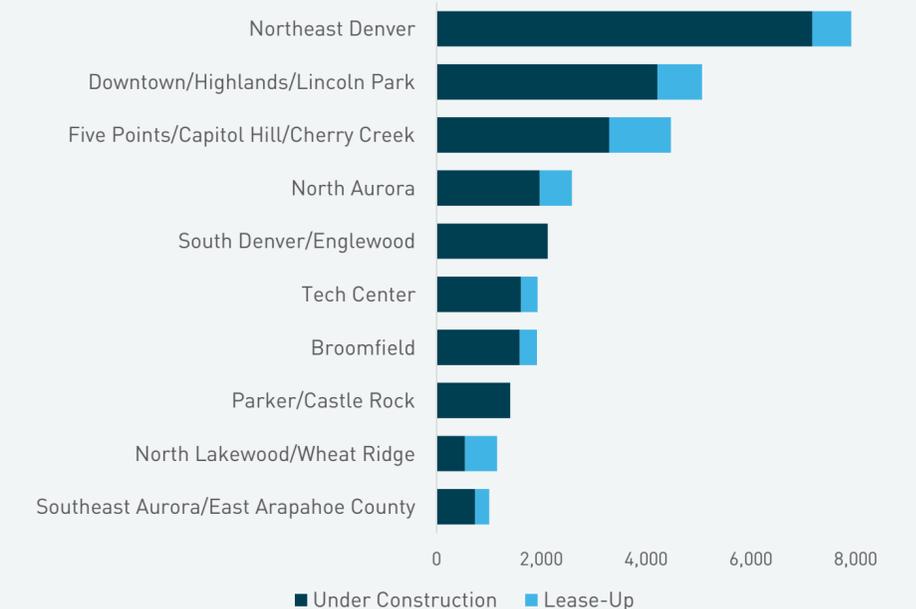


Source: RealPage

## Market Pipeline



## Top 10 Submarket Pipelines

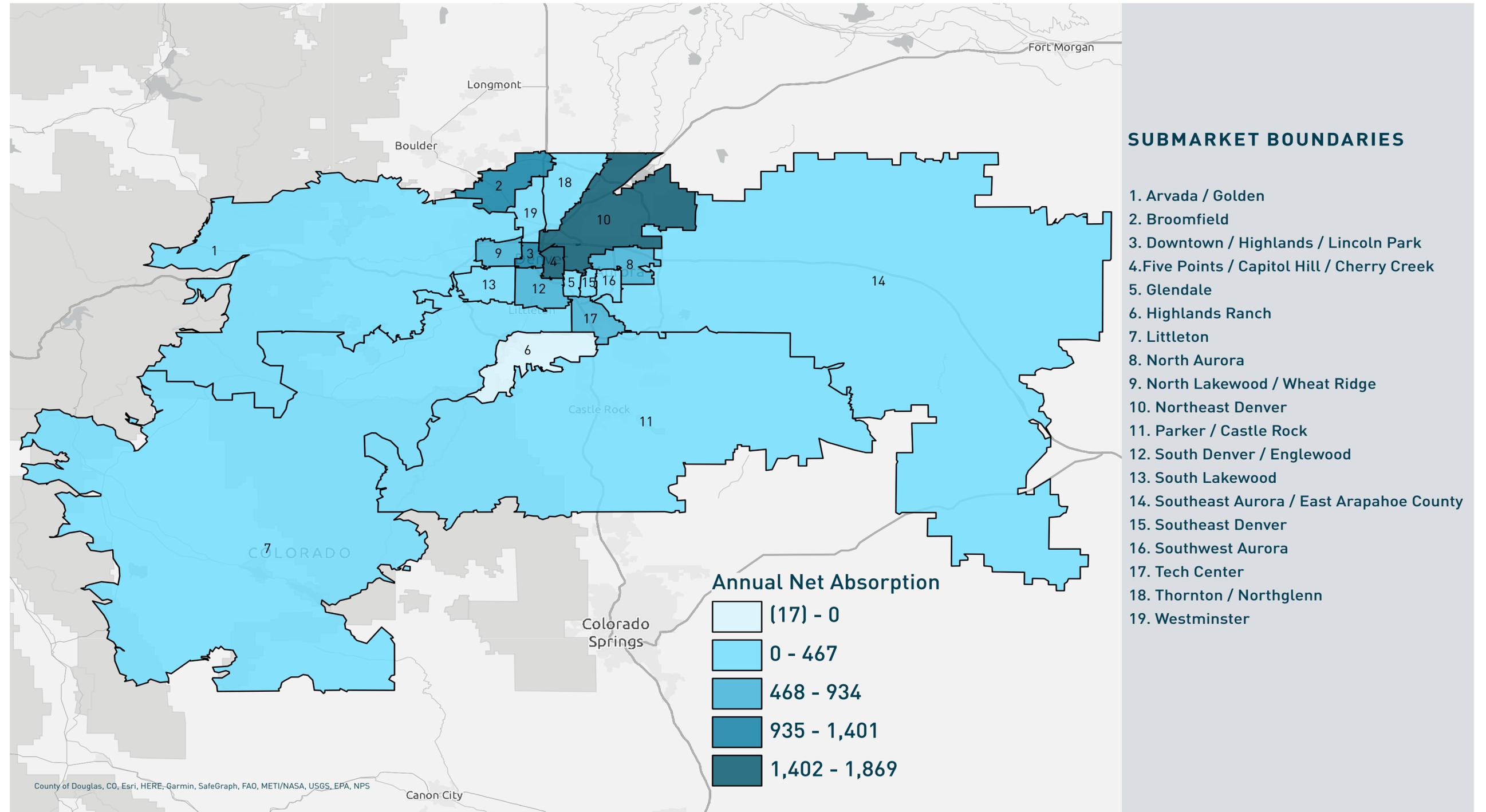




## DENVER, CO

# SUBMARKET ANNUAL ABSORPTION

Year to date, the Northeast Denver submarket's net absorption of 706 units was nearly double that of the rest of Denver's 19 submarkets, followed by the Downtown/Highland's/Lincoln Park submarket with 371 units absorbed. Northeast Denver is home to the metro's hottest industrial market, as its highway access and proximity to Denver International Airport is critical for logistics and keeping transportation costs down. In the last four quarters, the Northeast industrial submarket recorded some of the largest absorption levels in Metro Denver's history, as warehouse and manufacturing industries followed the consumer base into the Mile High Region. Industrial expansion in this area promoted growth in the production and transport industries, with a workforce still required to commute to work. Apartment developers benefit from this tie to the physical workspace as they build out Northeast Denver.





## DENVER, CO

# RENT & OCCUPANCY

### Effective Rent

2Q 2022

\$1,871

↑ 15.5% YOY

### Occupancy

2Q 2022

96.1%

↑ 60 BPS YOY

The average effective rent in Greater Denver reached \$1,871 per month in the second quarter of 2022, an increase of 15.5% from the same period last year. The annual increase was 70 basis points above the national average. Greater Denver's historical year-over-year effective rent changes averaged around 5.0% for the past 10 years. Rent growth is forecast to moderate, returning to single digits by mid-2023. Apartment occupancy reached 96.1% by the second quarter of 2022, a 70-basis-point rise from one year prior. Increased occupancy was a product of the surge of demand in the last year, as absorption was negative in the second quarter of 2022.

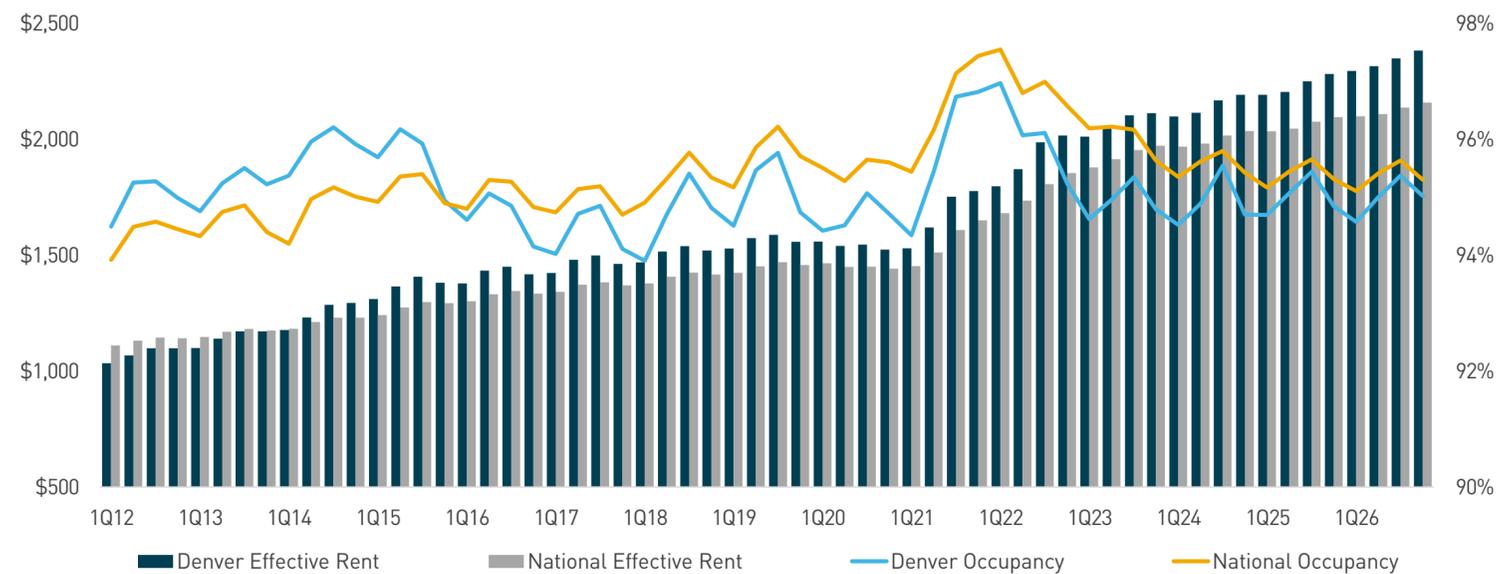
rate is likely to drop as positive absorption trails the influx of new inventory. Even so, occupancy is forecast to remain above 94%. Builders are scheduled to deliver of nearly 12,700 new units across the metro. At the same time, local agents point toward notions of a cooling housing market, as peak home sale prices dipped in the second quarter of 2022. A rebalanced housing market may hurt the demand for upper-tier apartment inventory, as high-income households who relocated from the coasts can afford to snap up homes as they become available.

Looking forward to the next year, the average occupancy

## Submarket Performance

SUBMARKET NAME	2022 OCCUPANCY	YOY (BPS)	2022 EFFECTIVE RENT	YOY
Arvada/Golden	97.1%	10	\$1,865	17.2%
Broomfield	96.0%	-10	\$1,929	13.9%
Downtown/Highlands/Lincoln Park	94.5%	-10	\$2,245	14.4%
Five Points/Capitol Hill/Cherry Creek	95.6%	180	\$2,070	13.8%
Glendale	95.9%	60	\$1,599	16.0%
Highlands Ranch	96.3%	-20	\$2,094	16.4%
Littleton	96.3%	-10	\$1,940	16.1%
North Aurora	96.8%	160	\$1,562	15.2%
North Lakewood/Wheat Ridge	97.2%	60	\$1,744	14.5%
Northeast Denver	96.0%	120	\$1,879	16.3%
Parker/Castle Rock	96.2%	-20	\$1,916	15.0%
South Denver/Englewood	96.4%	130	\$1,851	14.9%
South Lakewood	96.4%	10	\$1,812	17.4%
Southeast Aurora/East Arapahoe County	95.7%	-20	\$1,843	17.6%
Southeast Denver	96.4%	120	\$1,662	15.4%
Southwest Aurora	96.3%	30	\$1,578	16.0%
Tech Center	96.4%	50	\$1,975	16.8%
Thornton/Northglenn	96.3%	100	\$1,758	17.9%
Westminster	95.8%	-60	\$1,675	13.3%

## Denver vs. National Effective Rent & Occupancy



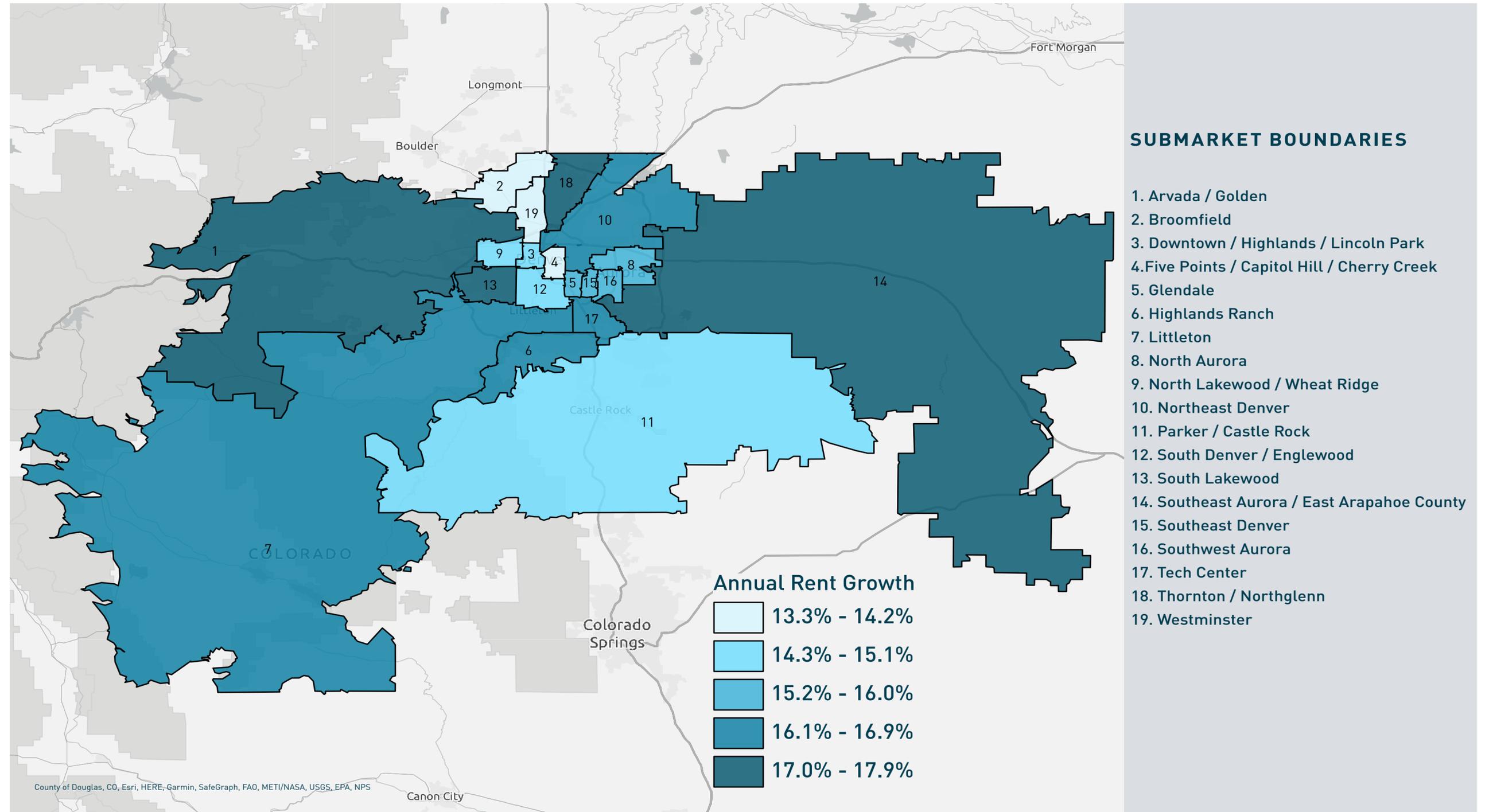
Source: RealPage



## DENVER, CO

# SUBMARKET ANNUAL RENT CHANGE

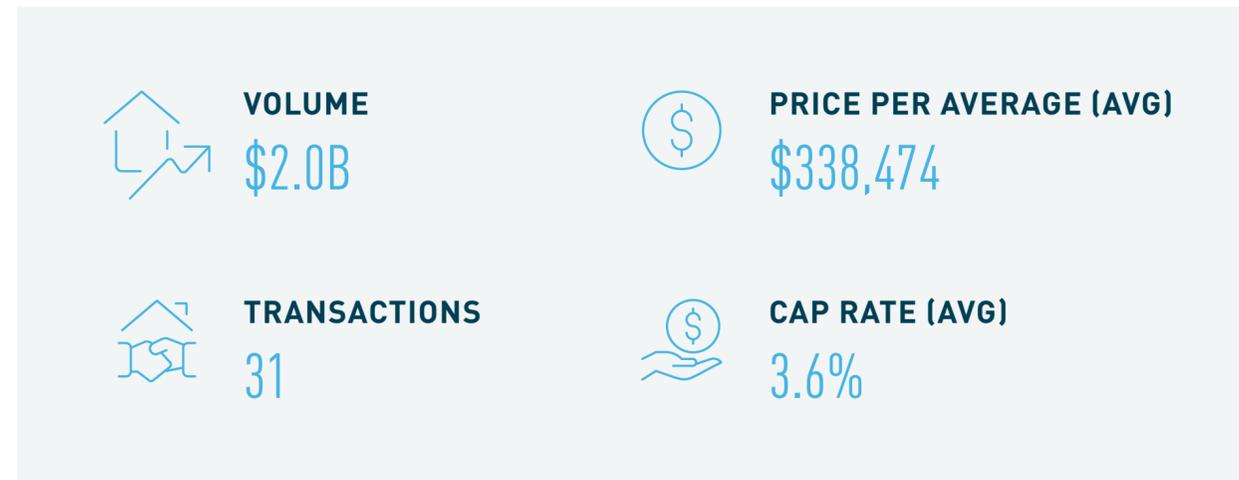
The largest annual jump in effective rental rates came from Thornton/Northglenn at 17.9%. Even with the recent increase, rent was \$100 lower than the average metro rate in the second quarter of 2022. Another factor contributing to the high year-over-year increase was the low volume of new deliveries at 90 units compared to the net absorption of 208 units. Renter demand for apartments in Thornton/Northglenn over the past 12 months was a product of the rapid expansion of industrial facilities along the I-25 corridor. Growth in this sector was exemplified by Meati Foods, a meat alternative manufacturer that claimed over 100,000 square feet of space this year. The city of Thornton alone has over 3 million square feet of employment space under construction, which bodes well for maintaining demand and healthy rental rates over the next few years.





# DENVER, CO SALES

2022 Year to Date\*



What's Trading?\*



Source: Real Capital Analytics  
\*\$10m+

Top Buyers\*\*

BUYER	LOCATION
Crow Holdings	Dallas, TX
Starwood Capital	Miami Beach, FL
Independence Realty Trust	Chicago, IL
Equity Residential	Chicago, IL
BREIT	New York, NY

Top Sellers\*\*

SELLER	LOCATION
Brookfield AM	Toronto, Ontario
Evergreen DevCo	Phoenix, AZ
TIAA	New York, NY
Steadfast Apartment REIT	Irvine, CA
CIM Group	Los Angeles, CA

\*\*Past 24 Months

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Sources: RealPage; Moody's Analytics; Real Capital Analytics

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