

DENVER, CO MULTIFAMILY REPORT

2023 | MIDYEAR



BERKADIA[®]



DENVER, CO EMPLOYMENT

Jobs Added / Lost

LAST 12 MONTHS

1,700

↑ 0.1%

NEXT 12 MONTHS*

12,100

↑ 0.8%

Unemployment

MIDYEAR 2023

2.7%

↑ 10 BPS YOY

MIDYEAR 2024*

2.4%

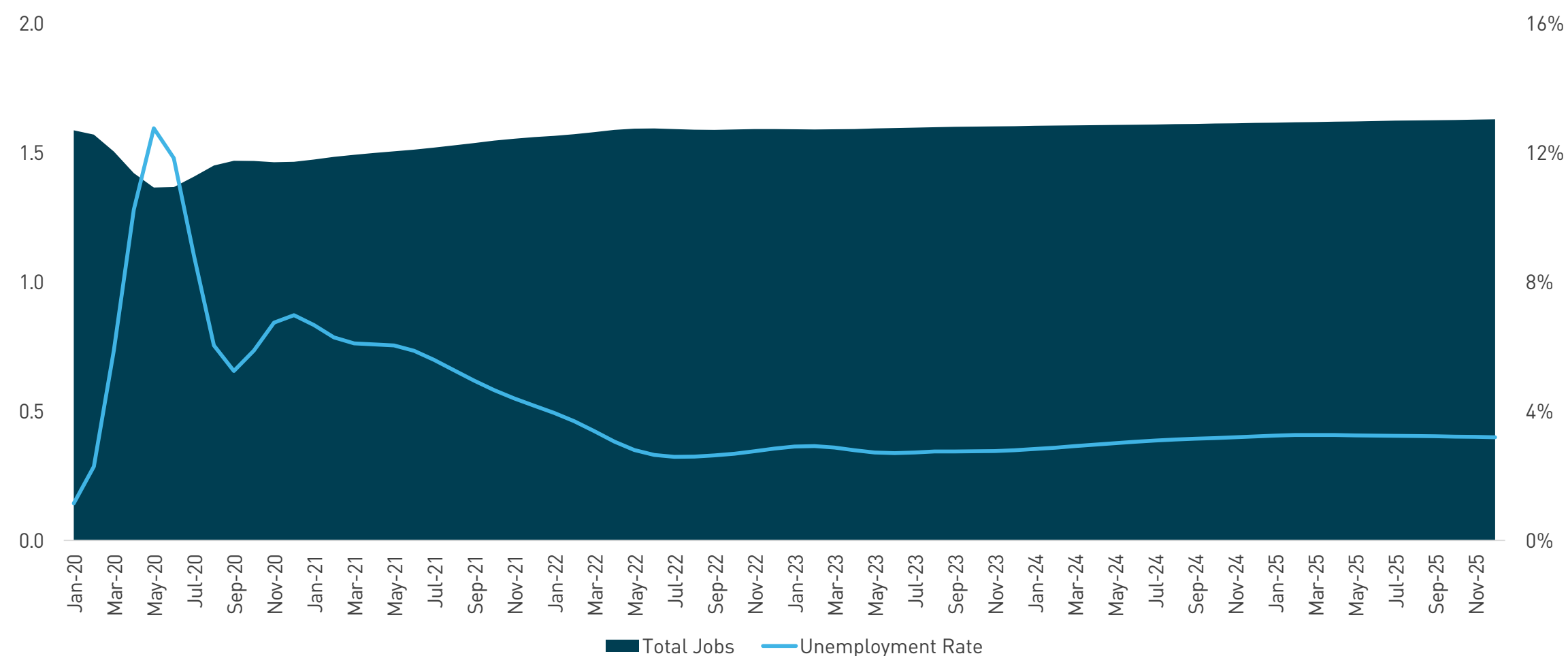
↑ 30 BPS YOY

*Projected

Greater Denver has one of the most educated workforces in the country, with approximately 44% of residents who hold a bachelor's degree or higher compared to 32% nationally. The educated populace supports Denver's acclaimed tech ecosystem, with jobs that contribute higher-than-average wages. These factors played into the success of Denver's professional and business services sector, which represents 20% of the market share and posted 6,900 new jobs in the 12-month period that ended in June 2023. This volume was at least 97% greater than that of all other industries during that time and contributed heavily to the total metro expansion, which was 0.1% annually. The metro has attracted company

relocations and expansions, like Vizio who added 100 jobs, and Melio's new western headquarters created 200 jobs and aerospace company Blue Origin already created 200 of the 400 promised positions at its location in Douglas County. The professional and business services sector is forecast to continue to post the largest gains over the next six months, with a year-end projection of 6,400 jobs. The return of full-capacity skiing and Red Rocks concerts helped the leisure and hospitality sector post the second highest gain over the past 12 months, at 3,500 jobs. As the sector continues to recover jobs lost from the pandemic, it will also continue to trail the professional and business sector with the second highest job gain for 2023, at 4,200.

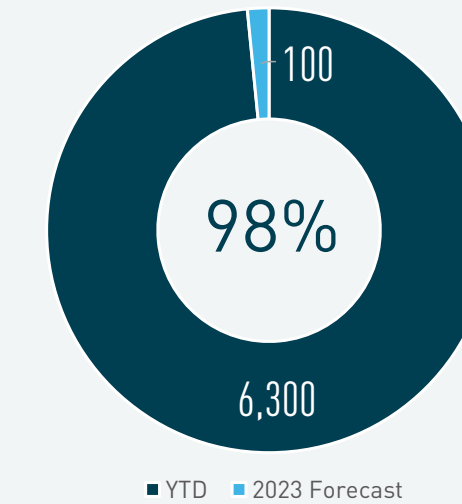
Employment Trends



SOURCE: Moody's Analytics

Who's Hiring?

PROFESSIONAL & BUSINESS SERVICES



20%
OF ALL JOBS IN THE METRO

\$157,900
AVERAGE ANNUAL SALARY

Top Professional & Business Services Employers



4,400 JOBS



2,700 JOBS



1,200 JOBS

In The News

- [Aerospace company, Kartman+, bringing headquarters to Denver](#)
- [Blue Origin continues hiring in 2023 after spring expansion](#)
- [United Airlines expansion will hire 1,800 people by 2024](#)



DENVER, CO

DELIVERIES & ABSORPTION

2023 Units*

DELIVERIES

13,611

ABSORPTION

11,374

2024 Units*

DELIVERIES

19,230

ABSORPTION

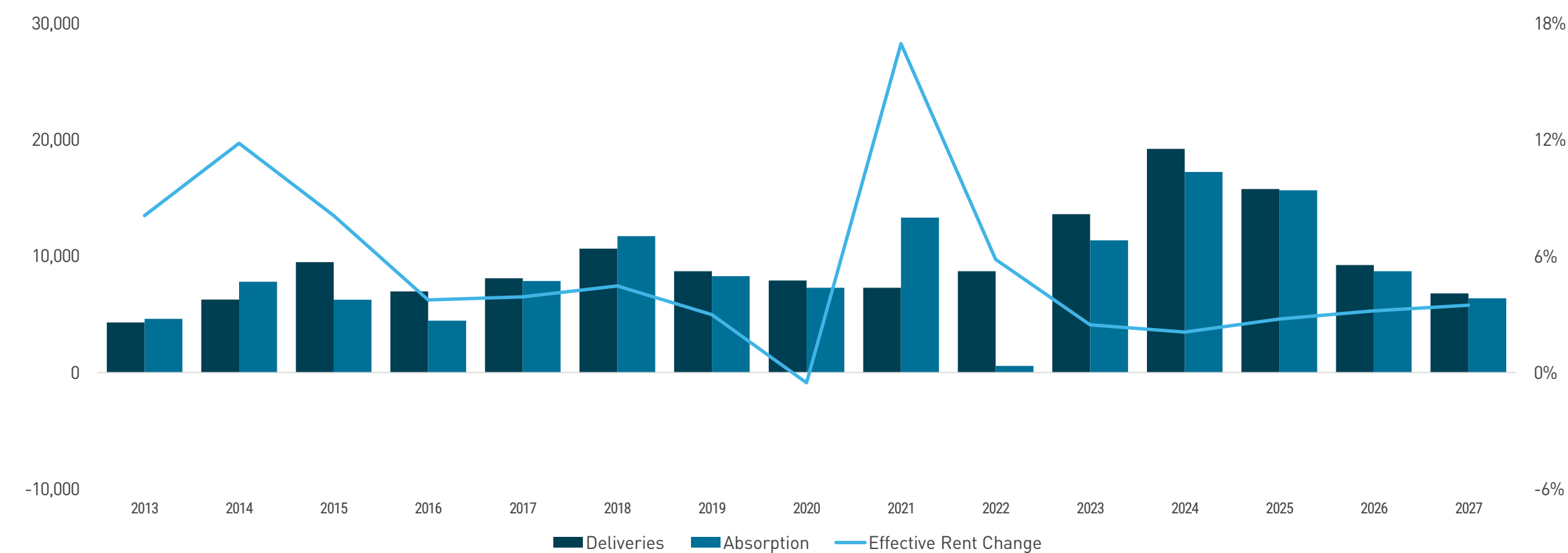
17,239

*Projected

Denver renters leased 1,739 more apartments than moved out over the past 12 months and showed a recovery in absorption over the first two quarters of 2023. In fact, with 3,766 net move-ins, Denver's multifamily market ranked No. 12 among the nation's top markets for absorption during the first half of 2023. Increased renter activity was the result of a tight single-family home market, inflated interest rates on homes, and the return of patio weather after a particularly harsh winter. Renter activity will remain strong over the next two quarters and result in 18,189 net move-ins. Denver also ranked 12th among the largest multifamily pipelines in the nation, with nearly 6,000 units in lease-up, 27,870 units in construction, and 3,528 units in under construction/lease-up phases,

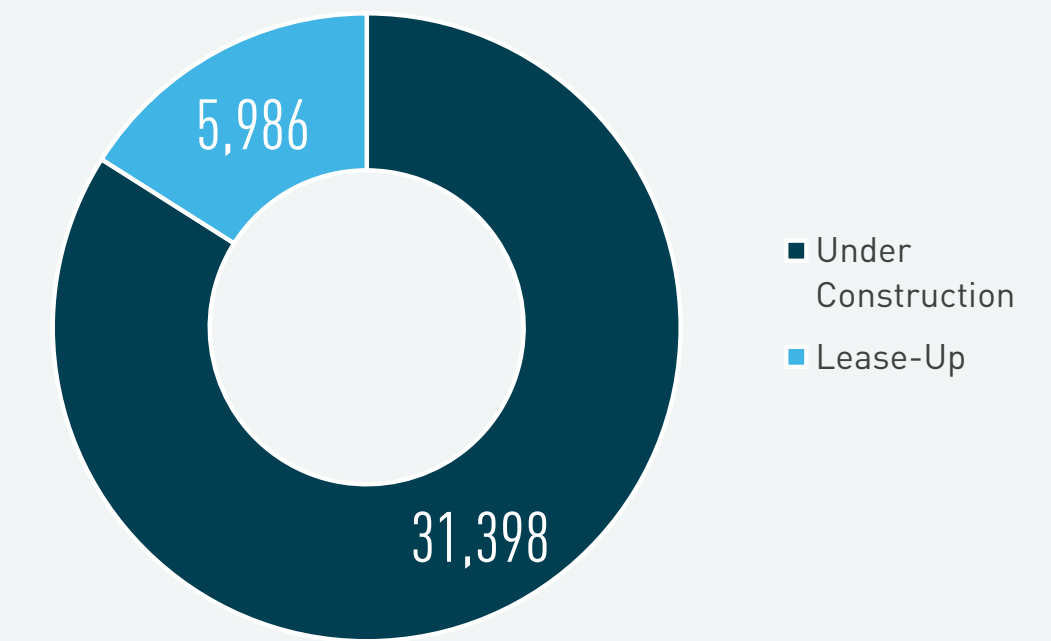
totaling 37,384 units in development. Developers have increased the supply level every quarter over the past 12 months, with 5,000 units delivered during the first half of 2023. Increases are likely to continue in the next half of the year and culminate in a total of record-setting 13,611 new units. While demand should balance supply in the short term, this rate of development is unsustainable as population growth slowed considerably post-pandemic. From 2010 to 2020, Denver grew 16.7%, in contrast to projection of 6.0% growth from 2023 to 2033.

Deliveries, Absorption, & Effective Rent Change

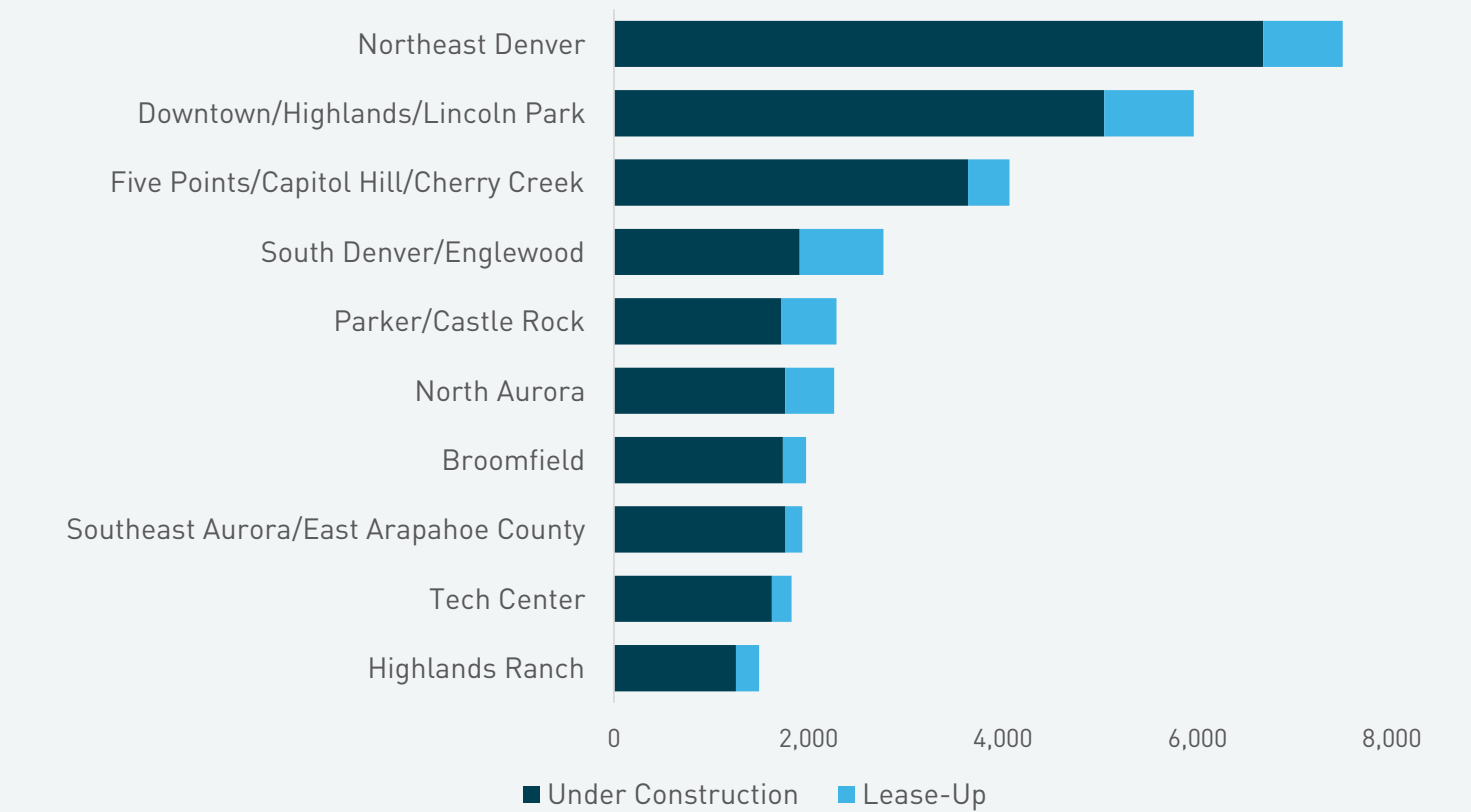


Source: RealPage

Market Pipeline



Top Submarket Pipelines

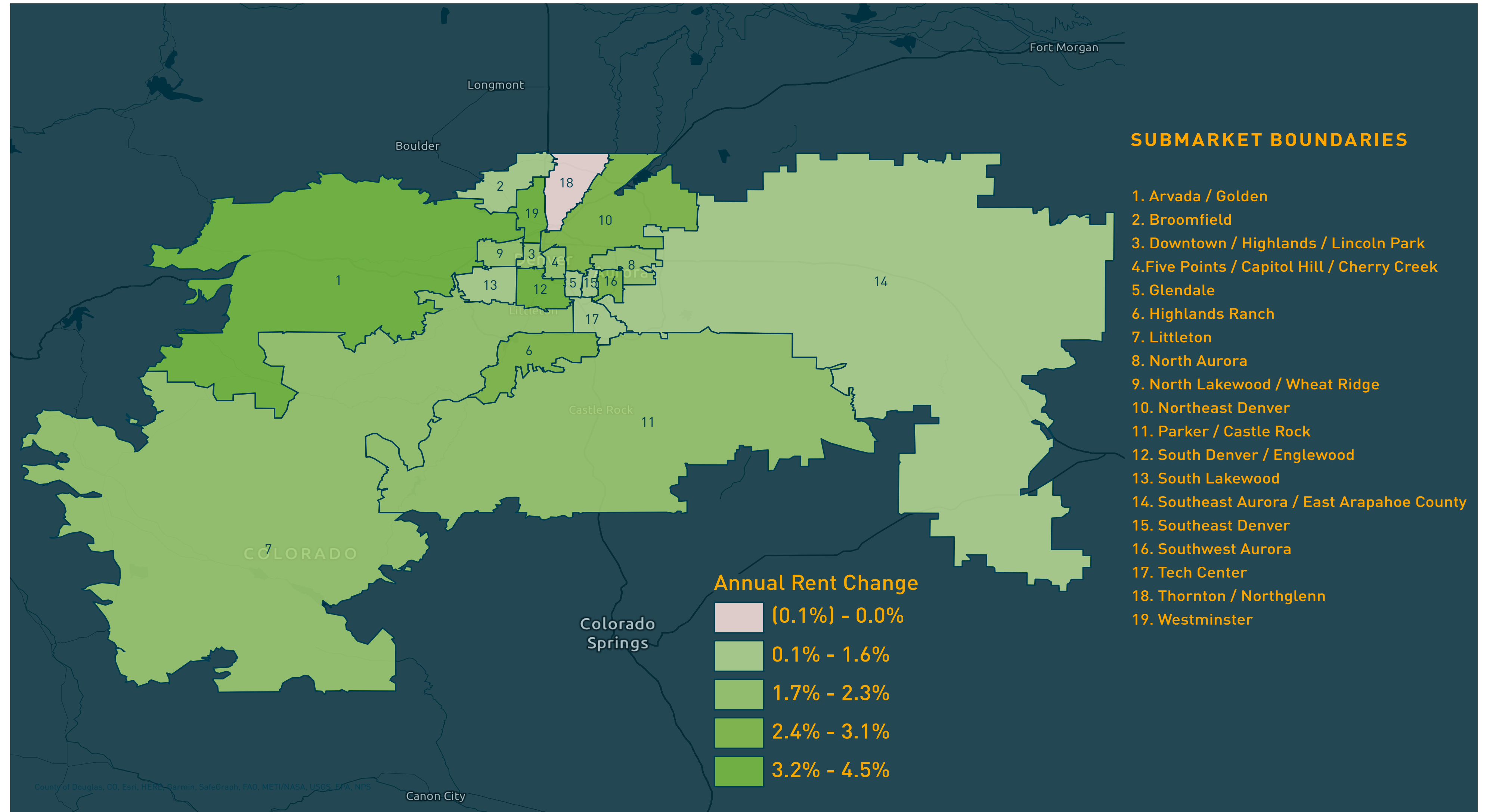




DENVER, CO

SUBMARKET ANNUAL INVENTORY CHANGE

Over the past 12 months, Denver added 8,834 new units, of which the Northeast submarket accounted for 23% with 2,033 units, the most in the metro. However, the Northeast submarket's 8.3% annual increase as a percent of existing inventory fell second to 9.5% in Parker/ Castle Rock, a submarket between Denver and Colorado Springs. Developers brought 957 units online over the last year, 73% of which were delivered in the first half of 2023. Increased building is an effort to capitalize on the strong population growth in Douglas County, which should continue to outpace the Denver metro by nearly 3.4% over the next five years. Douglas County is known for its affluent, well-educated residents and white-collar workforce, but the growing presence of manufacturers in the southern metro creates a new market for multifamily dwellers who are either waiting for a home to be built or cannot afford one but want to be near work.





DENVER, CO

RENT & OCCUPANCY

Effective Rent

Q2 2023

\$1,898

↑ 2.2% YOY

Occupancy

Q2 2023

94.1%

↓ 210 BPS YOY

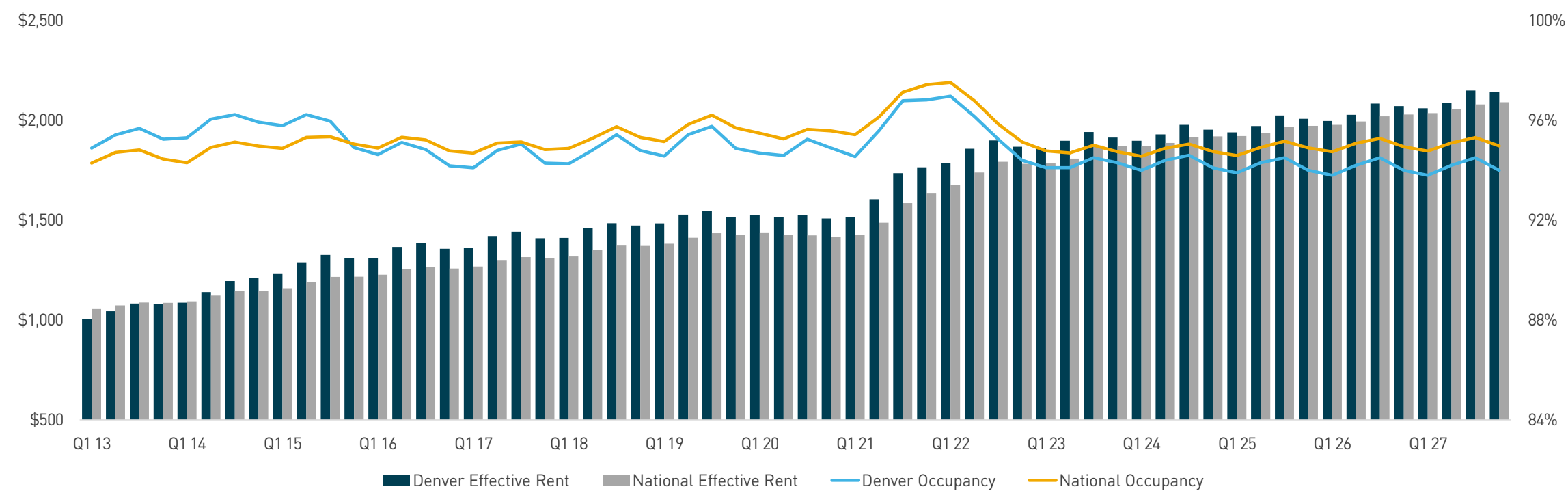
At \$1,898 per month in the second quarter of 2023, Denver's average effective rent was 4.9% higher than the national average despite having a lower annual increase at 2.2%. The high rate was a product of the swath of Class A apartments marketed toward lifestyle renters that have steadily delivered over the past year. With the influx of construction, multifamily operators should expect dampened annual increases, around 2.8% year over year on average, over the next five years, which is half of the average annual increase from 2015 to 2019. However, projections show rent increases building as projected deliveries taper, so there is a chance for Denver to return closer to the pre-pandemic average after 2027.

As expected with the magnitude of multifamily development in Metro Denver over the past 12 months, the average occupancy rate dropped 210 basis points to 94.1% in the second quarter of 2023. This trend persisted in every submarket though causes differed. For submarkets without many new deliveries, such as Five Points/Cherry Hill/Cherry Creek and Thornton/Northglenn, reduced occupancy was the residual product of net move-outs during 2022. Other submarkets like Downtown/Highlands/Lincoln Park and Northeast Denver had many units delivered over a short amount of time as post-pandemic construction backlogs resolved and need additional time for renters to absorb the elevated level of supply.

Submarket Performance

SUBMARKET NAME	Q2 2023 OCCUPANCY	YOY (BPS)	Q2 2023 EFFECTIVE RENT	YOY
Arvada/Golden	94.7%	-240	\$1,945	4.4%
Broomfield	94.6%	-170	\$1,957	1.3%
Downtown/Highlands/Lincoln Park	93.4%	-190	\$2,293	2.0%
Five Points/Capitol Hill/Cherry Creek	93.9%	-170	\$2,113	1.8%
Glendale	93.8%	-210	\$1,620	1.5%
Highlands Ranch	94.9%	-150	\$2,160	3.1%
Littleton	94.7%	-160	\$1,974	1.8%
North Aurora	92.7%	-400	\$1,595	2.1%
Northeast Denver	94.2%	-180	\$1,927	2.1%
North Lakewood/Wheat Ridge	94.3%	-290	\$1,782	2.9%
Parker/Castle Rock	95.0%	-120	\$1,959	2.3%
South Denver/Englewood	94.6%	-180	\$1,928	4.1%
Southeast Aurora/East Arapahoe County	94.4%	-130	\$1,858	0.8%
Southeast Denver	93.7%	-280	\$1,675	0.8%
South Lakewood	95.0%	-140	\$1,837	1.6%
Southwest Aurora	94.3%	-200	\$1,628	3.0%
Tech Center	94.5%	-190	\$2,003	1.4%
Thornton/Northglenn	92.7%	-360	\$1,756	-0.1%
Westminster	93.6%	-220	\$1,738	3.7%

Denver vs. National Effective Rent & Occupancy



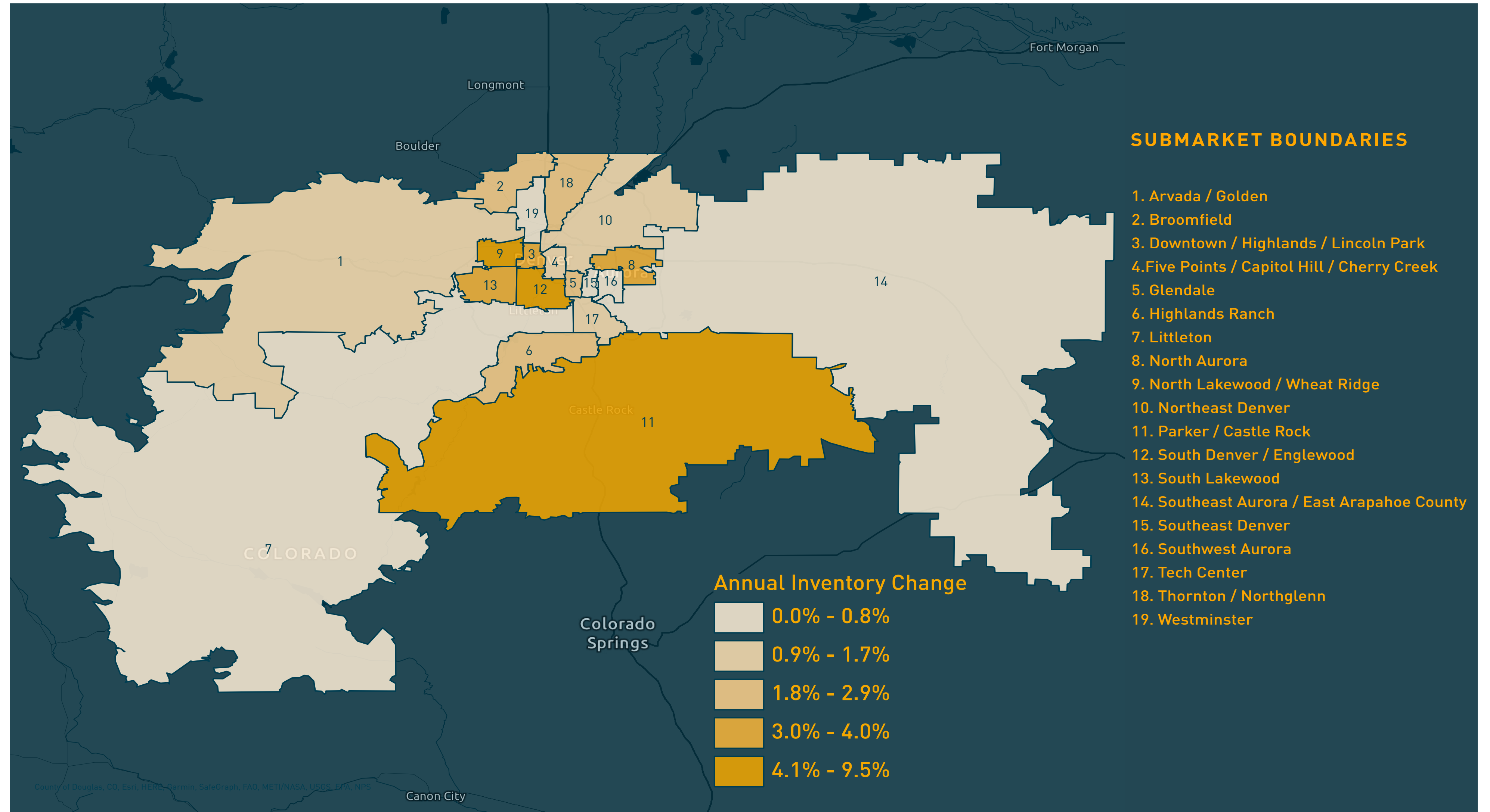
Source: RealPage



DENVER, CO

SUBMARKET ANNUAL RENT CHANGE

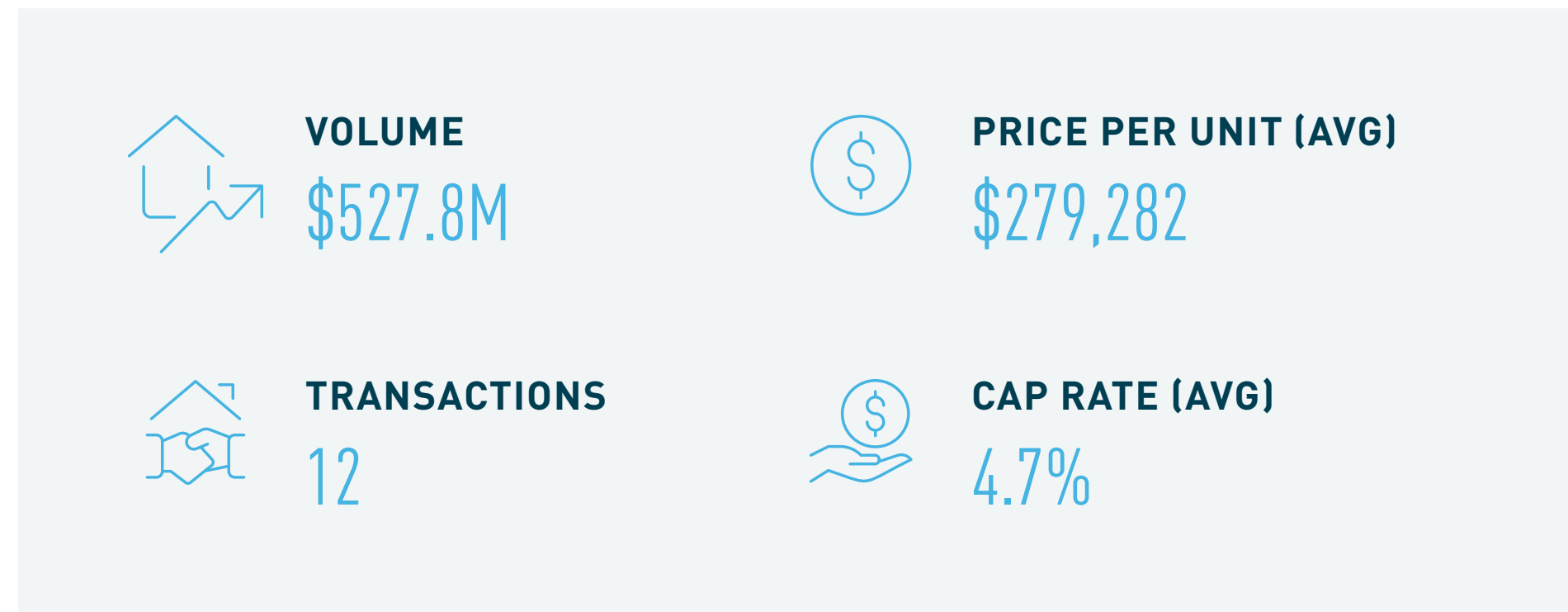
Apartment operators felt emboldened to increase Arvada/Golden's average effective rent 4.4% year over year through the second quarter of 2023, given a low annual inventory increase of 1% over the past year, the market's fourth-highest occupancy rate, and consistent demand. The increase was double the metro average, and put the effective rent at \$1,945 per month, the sixth highest in the metro. Strong rent values are a testament to the desirable location considering the average build year is 1997. For comparison, hot submarket Northeast Denver's effective rent was lower at \$1,927, with a younger build year of 2012. Arvada/Golden is at the gateway to Colorado's Front Range, home to the School of Mines, and the city of Golden is one of the most visited destinations in Metro Denver. This area has a tight housing market, where renters will pay premiums for the high quality of life, even in lower tier dwellings.





DENVER, CO SALES

2023 Year to Date*



What's Trading?*



Source: Real Capital Analytics
*\$10m+

Top Buyers**

BUYER	LOCATION
Starwood Capital	Miami Beach, FL
Blackstone	New York, NY
Independence Realty Trust	Chicago, IL
Sequoia	Walnut Creek, CA
Griffis Residential	Greenwood Village, CO

Top Sellers**

SELLER	LOCATION
Brookfield Asset Management	Toronto, Canada
Steadfast Companies	Irvine, CA
Bluerock	New York, NY
Morgan Stanley	New York, NY
CIM Group	Los Angeles, CA

**Past 24 Months

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

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