

Apartment rents fall to early 2022 levels

Vacancy rates shoot up from 6.3% in third quarter to 7.6% in fourth quarter as the market struggles to absorb new units

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Faced with a rising number of vacant apartments, landlords across metro Denver started cutting rents and boosting concessions more aggressively in the final three months of 2025, according to a quarterly update from the Apartment Association of Metro Denver.

The region's apartment vacancy rate rose to 7.6% in the third quarter from 6.3% in the third and 6.9% a year earlier. More empty apartments triggered a drop in average rents from \$1,816 in the third quarter to \$1,754 last quarter, an average not seen since the first quarter of 2022.

"It costs roughly the same today to rent an apartment as it did four years ago," said Scott Rathbun, head of Apartment Insights and the report's author, in a news call Wednesday morning.

For tenants who can snag concessions, even greater savings are available. Concessions are averaging 9.5% of total rent, which works out to an average of four to five weeks of free rent a year on average. For new developments, free rent offers can average closer to three months. *Note*

"This is a great opportunity for a new renter to jump in. It is a renter-favorable situation," said Mark Williams, executive vice president of the AAMD.

The concession percentage is the highest metro Denver has seen in nearly 19 years and the concessions dollar amount is the highest in the 21-year history of the Apartment Insights survey, Rathbun said, adding he has heard of some landlords raffling off a year's worth of free rent and \$50,000 prizes just to attract tenants. *Note*

Subtract out the concessions, and "effective" rents are averaging about \$1,587 a month in metro Denver, and as low as \$1,300 a month for 1970s properties, he said. Snagging that low a rent requires being willing to move, and it appears many renters are, putting downward pressure on all vintages of apartments.

The situation has become so extreme that older apartments now have rents comparable to those of income-restricted apartments that were built with the assistance of Low Income Housing Tax Credits. *Note*

A decade ago, subsidized apartments carried extremely low vacancy rates of 2%, highlighting the strong demand for such units. But in the fourth quarter, they had a vacancy rate of 7.2%, only slightly below the larger market. For renters earning 60% of the median area household income, the market is providing a larger number of naturally affordable units, which avoid the hassle of meeting government income restrictions, Rathbun said.

Rising vacancy rates and falling rents were seen in every metro county in the fourth quarter. Denver and Arapahoe counties had the highest vacancy rates at 8.2%, up from 6.6% and 7%, respectively, in the third quarter. The vacancy rate in Douglas County shot up from 5.2% to 6.9%, while in Jefferson County it rose from 5.5% to 7%. *Note*

Broomfield/Boulder had the tightest market with a 6.5% vacancy rate, but also the biggest quarterly percentage drop in rents at 4.7%. Adams County has the second-lowest vacancy rate at 6.7%. Rents there fell 3.2%.

Pre-1970s apartments located in Denver had the highest overall vacancy rate at 12.3%, while 1990s units in Adams County had the lowest vacancy rate at 5.2%. Pre-1970s apartments in Adams County had the lowest average rent at \$1,218 a month, while 2020 vintage apartments in the Broomfield/Boulder area had the highest average rents at \$2,363.

Note: The market works well

Note

Oversupply is the key reason why rents are falling. In 2024, builders delivered close to 20,000 new apartments, nearly double the recent historical average. The market absorbed only 14,000 of them that year. That contributed to a spike in the vacancy rate and a drop in rents in the fourth quarter of 2024.

For the first nine months of 2025, it seemed like the market was digesting the excess, allowing vacancy rates to move back into the mid 6% range. New deliveries aligned better with demand last year, with 15,330 units built and 11,138 being absorbed.

But there was still that overhang from 2024, Rathbun said. In the fourth quarter, developers delivered 3,087 units, closer in line with historical averages. But rather than absorbing those, the market had a negative absorption of 3,177 units.

A Thanksgiving dinner analogy can help explain what is going on. An overstuffed market pushed away from the 3,087 apartments put on the table before it and then "regurgitated" 3,177 units that had previously been *Note* occupied. The quarter ended with about 34,000 empty apartments, up from 28,000 in the third quarter.

Rathbun said owners of apartment buildings are much more attuned and responsive to shifts in demand compared to owners of office buildings, who have let their properties empty out and become worthless rather than violate archaic loan covenants imposed by lenders hoping for a turnaround and too afraid to show a loss in their portfolio.

Because of that, "see-through" office buildings have started to re-emerge in downtown Denver, with distressed sales going at 90% or below prior purchase prices.

So far, apartment owners aren't defaulting or having their projects seized by lenders. And the vacancy rate, while elevated, is still within long-term averages of around 6.6%. Landlords are lowering rents, raising concessions, and competing fiercely for tenants, even if that means cannibalizing older and less competitive developments.

And developers are building fewer units. The pipeline of future apartments has slowed significantly, especially in Denver County, which has seen a big drop in the number of permits pulled since it implemented an inclusionary housing ordinance in July 2022 that required developers to include income-restricted units.

Note

If that trend continues, and assuming people still want to move to Colorado, then shortfalls and rising rents could re-emerge in late 2027 or 2028, Rathbun predicts.

There are wild cards on the demand side. Job growth has slowed in the state, which makes it a less attractive destination for those relocating. Colorado has experienced a sharp drop in domestic net migration since the pandemic, although international immigration filled the gap in 2023 and 2024. But that slowed a lot last year and might have even reversed, reducing the pool of available renters.

Note

Rathbun sees a scenario where demand for apartments can hold up even with slower population growth. That's because high home prices and high borrowing costs have blocked many renters from owning in a state where the median price of a home sold in December was \$560,000, according to the Colorado Association of Realtors.

The average age of a first-time homebuyer in the U.S., which used to be in the low 30s, is now 40, Rathbun said, citing numbers from the National Association of Realtors. People are renting longer, and a larger share of the population will become renters over time, providing a strong base for apartment demand going forward.

