METRO DENVER

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Apartment vacancies drop, but market still favors renters

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Metro Denver apartment vacancy rates moved lower and rents rose slightly in the second quarter, but conditions still remain favorable to renters, according to the Vacancy & Rent Report from the Apartment Association of Metro Denver.

Average rents rose from $1,819 in the first quarter to $1,832 in the second, but remain down 3.7% over the past year and are still lower than they were in the second quarter of 2023. That contrasts with a 3.8% increase nationally over the past year period in rental costs, according to the U.S. Bureau of Labor Statistics.

"This increase is less than half of the typical increase during the second quarter over the past 20 years because vacancy remains elevated," said Cary Bruteig, a researcher with Apartment Insights and author of the report, which is in its 45th year.

The overall vacancy rate fell from 7% in the first quarter to 6.4% in the second. A year ago, the share of unrented apartments was 5.6%. Vacancies were highest in Arapahoe and Denver counties at 7.1% and 7%, and lowest in Jefferson and Boulder counties, which were at 5.2%.

Some of that reflects the higher demand in the second quarter during the peak leasing season. But it also reflects a slowdown in the number of new apartments arriving. Over the past 12 months, there have been 15,798 new apartments added, but only 2,375 of those came in the second quarter.

As the pace of construction slows, demand, measured as the number of units occupied or absorption, has stayed strong. Over the past 12 months, there have been 11,184 apartments occupied, including 4,573 the second quarter.

"The number of apartments under construction has decreased by approximately a third from its peak in mid-2023," Bruteig said. "This should lead to fewer new apartments completed in the quarters ahead."

Bruteig estimates the oversupply situation will last through 2026, assuming absorption rates stay at around 11,000 a year. Slower migration and weaker job growth are two things that could weigh on apartment demand and extend the renter's market.

New state and local regulations in many locales, especially Denver, which added an inclusionary housing ordinance to boost affordable housing, have combined with higher interest rates and construction costs to lower the number of multifamily starts, said Mark Williams, the association's executive vice president.

Landlords continue to offer concessions to attract tenants. Those are averaging about 4.9% of gross rents, which is down slightly from earlier in the year. in dollar terms, landlords provided breaks worth about $90 a month on average.

The association's survey was based on data from 248,812 apartment homes.