Transactions in the multifamily market segment generally have increased across the country, with activity in the Denver metropolitan area keeping pace with the notably active coastal markets. It is clear that the Denver apartment market is attractive to investors. According to Apartment Insights, year-to-date sales volume (comprised of 26 transactions totaling 6,070 units across all property classes) has been higher than the same period last year. This trend is expected to continue, particularly among Class C and D properties. These properties represent the opportunity to add value and reposition while avoiding the heated competition in Class A and B properties.

Construction lending has increased as well. There are 7,247 units under construction with a total of 18,199 planned for the Denver area (Source: Apartment Insights). It is unlikely that the market can support all of the planned units, and we will likely see a race among multifamily developers to get out of the ground quickly. The best opportunities for completion appear to be infill projects in established communities and transit-oriented developments. A number of such projects already are under way. It is unclear if investors intend to hold their properties long term, or if trades of stabilized or nearly stabilized projects will increase as additional projects continue to come on line.

How long will this trend in multifamily real estate last? Will this level of activity continue in Denver and other markets nationwide? The general consensus is that activity in the multifamily sector will remain strong as long as the cost of capital stays low and institutional investors continue to see high returns. In Denver specifically, the market fundamentals are strong. Denver has a stable employment base, relatively high wages and an educated workforce.

The health of the single-family sector is also an important consideration. Much of the residential activity being seen is in refinances and acquisitions by “move-up buyers,” selling homes to purchase more expensive ones. Although interest rates remain low, purchases by first-time homebuyers have not increased greatly because of more stringent underwriting criteria and a lack of suitable inventory. Accordingly, these potential buyers remain in the rental market. However, it is expected that single-family homebuilders will get back in the market with a focus on entry-level product, potentially offering an attractive alternative to renting for those who can afford it. Apartment developers, particularly in transit-oriented and infill projects, are creating communities with amenity packages and locations that sell a “lifestyle” that a first time buyer may not be able to achieve through homeownership.

What is being seen in the Denver market is consistent with what is occurring in other markets across the country. Multifamily is leading the way, but being supported by an overall increase in commercial real estate activity, particularly in coastal markets. Given current market fundamentals, the Denver market is expected to remain robust in the near term. Having Peyton Manning helps, too. So the race continues to see who is out of the ground and building, and who has capital to buy and build.