

# REPORT SUMMARY

## OVERVIEW

The metropolitan Denver area apartment vacancy rate decreased to 5.9 percent for the first quarter of 2008, down from 6.1 percent for the fourth quarter of 2007. For the first quarter of 2007 it was 7.1 percent, and for the first quarter of 2006 it was 7.4 percent. The vacancy rate for the first quarter of 2005 was 9.3 percent. Two counties showed an increase in their vacancy rates while four showed a decrease. Eighteen market areas showed an increase while seventeen showed a decrease with two remaining the same.

## VACANCIES

Buildings with “51 to 99” units had the highest vacancy rate at 6.9 percent, up from 4.8 for the fourth quarter. Buildings with “350 and Up” units had 6.3 percent vacant, down from 6.6 percent for the previous quarter. The “9 to 50” building size had a 5.1 percent vacancy while the “100 to 199” building size had 4.8 percent vacant compared to the “200 to 349” building size which had 5.9 percent vacant. Historically, larger buildings have the highest vacancy rates. Buildings constructed since 2005 had 22.8 percent vacant, up from 7.2 percent. Buildings constructed from 1950 – 1959 had 5.0 percent vacant, down from 6.7 for the fourth quarter. Those constructed from 1990 to 1999 had 6.0 percent vacant, the same as for the fourth quarter, while buildings constructed between 2000 and 2004 had 5.8 percent vacant, down from 6.0 percent. Buildings constructed between 1960 and 1969 had a vacancy rate of 6.0 percent; those constructed between 1980 and 1989 had 5.5 percent; those built between 1970 and 1979, 5.8 percent vacant. Apartment units “Above 1000” square feet had the highest vacancy rate at 6.5 percent. Those with “500 to 749” square feet had 5.8 percent vacant, while units with “750 to 999” had 5.7 percent vacant, and those “499 and below” square feet had 5.2 percent vacant. Efficiencies had 5.2 percent vacant; one-bedroom, 5.4 percent; two-bedroom, one bath, 6.4 percent; two- bedroom, two bath, 6.4 percent; and three bedroom, 7.8 percent.

## RENTAL RATES

The average rental rate increased to \$861.26 for the first quarter of 2008, up from \$860.36 for the fourth quarter of 2007, and up from \$842.69 for the first quarter of 2007. For the first quarter of 2006 it was \$834.83, and \$835.51 for the first quarter of 2005. Average rents do not include the cost of rental discounts and concessions. For the first quarter of 2008, that averaged 10.7 percent, up slightly from 10.5 percent for the previous quarter. Units constructed since 2005 averaged \$1,323.36; between 2000-2004, \$1,030.23; 1990-1999, \$1,011.33; 1980-1989, \$810.23; 1970-1979, \$673.06; 1960-1969, \$704.47; and 1959 and prior, \$687.11. By building size, highest rents are in buildings/complexes with “200-349” units, \$898.18; and lowest in buildings with “9 to 50” units, \$667.16. Rent per square foot remained at \$1.02. For the first quarter of 2007, it was \$1.00 and \$0.99 for the first quarter of 2006. The highest rent per square foot was for those units “Below 500” square feet, \$1.23; and rents were lowest for units having “1,000 and above” square feet, \$0.97. Median rents increased to \$820.85 for the first quarter of 2008, up from \$817.84 for the fourth quarter of 2007. For the first quarter of 2007, median rents were \$795.55 and \$794.25 for the first quarter of 2006.

## **ECONOMIC VACANCY**

The overall economic vacancy rate for the first quarter was 16.6 percent, the same as the fourth quarter of 2007. It was 21.4 percent for the first quarter of 2007. For the first quarter of 2006, it was 23.7 percent; and for the first quarter of 2005, it was 24.3 percent. The economic vacancy rate remains the lowest since the second quarter of 2002. Economic vacancy is defined as vacancy plus concessions and discounts as a percent of gross potential rent.

## **NEW ADDITIONS**

Approximately 217 new units were added to the multi-family rental inventory during the first quarter of 2008. There are about 282,430 apartment units in the seven-county metro Denver area. For the first quarter 2008, there was a net positive absorption of 769 units for the metropolitan Denver area. Absorption is the net change in the number of apartment units rented in the current time period (quarter/year) compared to the previous time period. For the first quarter of 2007 there was a net negative absorption of 168 units. For the first quarter (month of February), the monthly turnover rate was 4.0 percent. For the first quarter of 2007, it was 3.7 percent.

## **OVERALL COMMENTS**

Given the continued limited number of new additions to the inventory for over three years, the gradual slow improvement in the overall metro Denver area economy, issues in the single-family ownership sector, and combined with the normal first quarter increase, the slight decrease in the vacancy rate was not unexpected. Historically there is an upward movement in the vacancy rate during the fourth and first quarters of the year. The number of new units to be added to the inventory during 2008 will be comparable to the low number of additions the last two years. The overall average rent for the last five years has increased from around \$800.00 in 2002 to about \$860.00 this quarter.

The Denver Area Apartment Vacancy and Rent Survey reports averages, and, as a result, there are often differences in rental rates and vacancy rates by apartment type, size, location, and age of building/complex. These variances are more pronounced as the vacancy rate has fluctuated during the last four years. All information is based on data received for the month of March, except for resident turnover and rental losses, which is for February. The Survey is conducted via mail and online submissions. It includes only those units with a certificate of occupancy. The First Quarter 2008 Survey includes information on 104,953 apartment units.

The Survey is possible because of the excellent participation and help of professionals in the apartment industry and the consistent support of the Survey sponsors. Comments on the Survey are welcome (303-871-3435 or [gordon@vonstroh.com](mailto:gordon@vonstroh.com)).