

# REPORT SUMMARY

## OVERVIEW

The metropolitan Denver area apartment vacancy rate increased to 8.4 percent for the first quarter of 2009, up from 7.9 percent for the fourth quarter of 2008. For the first quarter of 2008 it was 5.9 percent, and for the first quarter of 2007 it was 7.1 percent. The vacancy rate for the first quarter of 2006 was 7.4 percent. Three counties showed a decrease in their vacancy rates while three showed an increase. Eighteen market areas showed an increase, while sixteen showed a decrease with three remaining the same.

## VACANCIES

Buildings with “200 to 349” units had the highest vacancy rate at 9.0 percent, up from 8.4 for the fourth quarter. Buildings with “51 to 99” units had the lowest vacancy at 6.5 percent. The “350 up” building size had an 8.3 percent vacancy, while the “up to 8” building size had 6.3 percent vacant, compared to the “100 to 199” building size which had 7.8 percent vacant. Historically, larger buildings have the highest vacancy rates. Buildings constructed since 2005 had 25.9 percent vacant, up from 19.0 percent. Buildings constructed from 1950 – 1959 had 9.1 percent vacant, up from 9.4 for the fourth quarter. Those constructed from 1990 to 1999 had 7.3 percent vacant, up from 7.6 for the fourth quarter, while buildings constructed between 2000 and 2004 had 8.2 percent vacant, up from 7.2 percent. Buildings constructed between 1960 and 1969 had a vacancy rate of 6.8 percent, up from 6.6 percent; those constructed between 1980 and 1989 had 7.0 percent vacant, down from 7.1 percent; and those built between 1970 and 1979, 8.5 percent vacant, up from 8.1 percent vacant. Apartment units “above 1000” square feet had the highest vacancy rate at 9.6 percent, up from 8.8 percent. Those with “500 to 749” square feet had 7.7 percent vacant, up from 6.9 percent vacant, while units with “750 to 999” had 8.2 percent vacant, up from 8.0 percent vacant, and those “499 and below” square feet had 7.5 percent vacant, down from 8.5 percent vacant. Efficiencies had 6.3 percent vacant, down from 6.9 percent vacant; one-bedroom, 8.0 percent vacant, up from 7.4 percent vacant; two-bedroom, one bath, 8.0 percent vacant, down from 8.1 percent; two-bedroom, two bath, 9.3 percent vacant, up from 8.3 percent; and three bedroom, 9.4 percent vacant, down from 10.2 percent.

## RENTAL RATES

The average rental rate decreased to \$881.92 for the first quarter of 2009, down from \$888.81 for the fourth quarter of 2008. It was up from \$861.26 for the first quarter of 2008. It was up from the first quarter of 2007, \$842.69 and up from \$834.83 for the first quarter of 2006. For the first quarter of 2005 it was \$833.51, and \$809.14 for the first quarter of 2004. Average rents do not include the cost of rental discounts and concessions. For the first quarter of 2009, that averaged 7.8 percent, down from 9.1 percent for the previous quarter. It was 10.7 percent in the first quarter of 2008. Units constructed since 2005 averaged \$1,279.56; between 2000-2004, \$1,038.11; 1990-1999, \$1,015.58; 1980-1989, \$803.49; 1970-1979, \$704.94; 1960-1969, \$739.15; and 1959 and prior, \$685.39. By building size, highest rents are in buildings/complexes with “200-349” units, \$935.29; and lowest in buildings with “9 to 50” units, \$678.59. Rent per square foot decreased to \$1.03 from \$1.04 for the fourth quarter. For the first quarter of 2008, it was \$1.02, and \$1.00 for the first quarter of 2007. The highest rent per square foot was for those units “Below 500” square feet, \$1.32, and rents were lowest for units having “1,000 and above”

square feet, 98 cents. Median rents decreased to \$821.14 for the first quarter of 2009, down from \$829.14 for the fourth quarter of 2008. For the first quarter of 2008, median rents were \$820.85, and \$795.55 for the first quarter of 2007.

## **ECONOMIC VACANCY**

The overall economic vacancy rate for the second quarter was 16.3 percent, down from 17.0 percent for the fourth quarter of 2008. It was 16.6 percent for the first quarter of 2008. For the first quarter of 2007, it was 21.4 percent; and for the first quarter of 2006, it was 23.7 percent. Economic vacancy is defined as physical vacancy plus concessions and discounts as a percent of gross potential rent.

## **NEW ADDITIONS**

Approximately 1,401 new units were added to the multi-family rental inventory during the first quarter of 2009. There are about 286,501 apartment units in the seven-county metro Denver area. For the first quarter 2008, there was a net negative absorption of -142 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 2008 there was a net positive absorption of 769 units. For the first quarter (month of February), the monthly turnover rate was 4.0 percent. For the first quarter of 2008, it was 4.0 percent.

## **OVERALL COMMENTS**

Given the number of new additions to the inventory the last two years, the concerns with the overall national and metro Denver area economy, and issues in the single-family ownership sector, the increase 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. However, this quarter because of the downturn in the economy, the number is substantially greater. The number of new units to be added to the inventory during 2009 will be more, compared to the relatively low number of additions the last several years. The overall average rent for the last five years has increased from around \$800.00 in 2002 to around \$880.00 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 2009 Survey includes information on 106,244 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)).