



FOR RELEASE: October 25, 2007 Contact: Ryan McMaken, Colorado Division of Housing
(303) 866-4651

Apartment vacancies in Denver area at six-year low

Apartment vacancies continued to slide downward as vacancies dropped to 5.3 percent during the third quarter. Vacancies dropped from the second quarter rate of 6.2 percent, and are down from the 6.7 percent rate reported a year ago. The report, released today by the Apartment Association of Metro Denver and the Colorado Division of Housing notes that the third quarter's vacancy rate is the lowest since the first quarter of 2001 when vacancies registered at 4.5 percent. Vacancies hit a peak of 13.1 during the second quarter of 2003.

The Boulder/Broomfield area continues to have the lowest vacancy rates, reporting a county-wide rate of 3.6 percent for the third quarter, while the highest vacancy rates were found in Adams County which reported vacancies of 5.9 percent. All counties reported a decline in vacancies since the third quarter of 2006, and all counties reported declines since the second quarter of this year.

Vacancy rates for all Metro counties were Adams, 5.9 percent; Arapahoe, 5.0 percent; Boulder/Broomfield, 3.6 percent; Denver, 5.7 percent; Douglas, 5.5 percent; and Jefferson, 5.3 percent.

In general, a vacancy rate of 5 percent is considered the "equilibrium" rate by industry researchers. Vacancy rates below 5 percent indicate a tight market.

The Denver area is experiencing some of the lowest vacancy rates in the state. "The Denver area and the Grand Junction area are the tightest urban markets in the state right now, but while Grand Junction has a boom economy, the Denver area instead continues to see a slow and steady decrease in vacancy," said Kathi Williams, Director of the Colorado Division of Housing. "The pace of economic growth will dictate whether or not we may soon be looking at the 3 percent vacancies like we saw in the late nineties."

In spite of fewer vacancies, however, average rents have seen no major increases. During the third quarter, the metro-wide average rent level was \$858.36, up only 13 dollars from \$845.83 as reported during the third quarter of 2005. In addition, the report shows that during the third quarter, average rents went down but median rents went up.

"This shows that there were a lot of high-end units produced in recent years, but that this past quarter, they weren't getting the rents the owners thought they would," said Gordon Von Stroh, Professor of Business at the University of Denver and the report author. "There's some downward pressure on rents, but only at the top."

Average rents for all Metro counties were Adams, 823.49; Arapahoe, 814.414; Boulder/Broomfield, 920.61; Denver, 874.42; Douglas, 1016.13; and Jefferson, 823.11.

The small number of recently-constructed multifamily units has also contributed to the decline in vacancy rates. "Given the limited number of new additions to the inventory, and the generally improving economy, we'd expect to see a tightening of the market," Williams said. "And given the cost of construction today we don't expect to see any large amount of building until there's a well established pattern of low vacancies."

Susan Kirkpatrick, Executive Director of the Colorado Department of Local Affairs noted that the cost of producing new housing is a prominent concern. "The cost of construction does continue to be a concern in many communities, and it may well impact the multifamily market into the future. The department will be looking for ways to assist communities with infrastructure costs as these pressures continue."

The Vacancy and Rent Surveys are a service provided by the Apartment Association of Metro Denver and the Colorado Division of Housing to renters and the multi-family housing industry on a quarterly basis. The Vacancy and Rent Survey reports averages and, as a result, there are often differences in rental and vacancy rates by size, location, age of building, and apartment type.