

Developers making time for apartment market in metro Denver

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Zocalo Development director of real estate Susan Maxwell, flanked by Zocalo principals David Zucker, left, and Chris Achenbach, stands at a downtown Denver construction site at 2020 Lawrence Street, where a 10-story apartment complex is going up across from Zocalo's high rise called Solera. (Karl Gehring, The Denver Post)

Developers and investors flocked to metro Denver's apartment market last year as other commercial real estate sectors sagged.

The vacancy rate for metro-Denver apartments was the lowest in a decade at 4.91 percent, leading to a 5 percent increase in average rents, according to a report by Cassidy Turley Fuller Real Estate.

"All of the other sectors are kind of soft, so everybody's gravitated toward multifamily, and it's almost overheated," said Greg Morris, president and chief executive of Cassidy Turley.

Investors spent nearly \$1.2 billion on apartment projects last year, with the largest being AMLI Residential Properties' \$78.8 million purchase of The Summit at Flatirons in Broomfield, according to the Cassidy Turley report.

Developers also recognized the strength of the multifamily market. David Zucker completed and leased the Solera high rise at 20th and Lawrence streets and started another apartment project across from it. He also recently bought property near Union Station for a 220-unit project.

"In 2010, there was a lot of scrambling, ducking and weaving," Zucker said. "There was a palpable difference come January 2011."

But with an estimated 2,600 apartment units expected to be delivered in metro Denver this year; about 4,000 in 2013; and up to 6,000 in 2016, the market is in jeopardy of being overbuilt.

"Anyone who is not thinking about the effect of so many units is sticking their head in the sand," Zucker said.

Although apartments were the standout in the market, the report indicated movement in other sectors as well.

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