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Vacancy rate for area apartments hits five-year low Construction of rental properties has tapered off in the metro area while home foreclosures are up, forcing many into renting.

Metro Denver's apartment-vacancy rate has reached its lowest level since 2001, as construction of new units continues to slow and rising interest rates discourage some potential homebuyers.

The second-quarter vacancy rate was 6.9 percent, according to data released Wednesday by the Apartment Association of Metro Denver. The vacancy rate was 8 percent in the second quarter of 2005.

"This signifies that the industry is moving to a more stable type of environment," said Gordon Von Stroh, a University of Denver management professor who compiles the quarterly report for the association.

While new construction of rental properties has tapered off, experts said the decrease in the vacancy rate can also be attributed to trouble in the for-sale housing market.

"Due to increases in foreclosures and interest rates, for-sale housing is becoming less attractive to some people," said Ryan McMaken, community-relations coordinator for the Colorado Division of Housing.

Colorado notched the highest home-foreclosure rate in the country in the second quarter, according to RealtyTrac, a provider of foreclosure listings. People displaced from their homes often turn to rental properties.

Average monthly rent for a two-bedroom, one-bathroom apartment in the metro area was \$813.30, up from \$793.93 the previous year, according to Wednesday's apartment-association report.

While rental rates are up, many apartment owners continue to offer free rent, move-in discounts and other incentives. Such incentives will likely taper off if vacancies decline further, Von Stroh predicted. Builders have completed 284 new apartment units this year, continuing what has been a steady decline since construction peaked at 9,123 new units in 2002. Builders finished 2,517 new apartments in 2005.

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