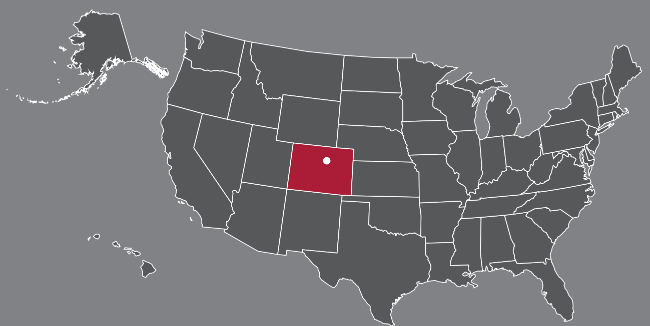
HUD PD&R **Housing Market Profiles**

Denver-Aurora-Lakewood, Colorado

Quick Facts About Denver-Aurora-Lakewood

- **Current sales market conditions: tight**
- **Current apartment market conditions: balanced**
- **Many well-educated people are attracted to the metropolitan area. Nearly 44 percent of the population age 25 or older had at least a bachelor's degree in 2017, up from 39 percent in 2010 and well above the 32-percent national average (2010 and 2017 American Community Survey 1-year estimates).**



By James Conner | As of November 1, 2019

Overview

The 10-county Denver-Aurora-Lakewood, CO Metropolitan Statistical Area (hereafter, the Denver metropolitan area) is located at the eastern edge of the Rocky Mountains. The leading industries include business services, telecommunications, high-tech manufacturing, and tourism. The current population is estimated at 2.99 million people, an increase of approximately 46,100, or 1.7 percent, a year since 2010, making it the tenth fastest growing metropolitan area in the nation with a population of more than 1 million. More than 60 percent of the growth resulted from net in-migration, which averaged about 28,400 people a year, and included many well-educated millennials attracted by job opportunities and outdoor recreation amenities. Since 2010, the strong population growth in the metropolitan area has led to rising housing costs, however, and housing affordability has declined.

- The three largest employers in the metropolitan area are healthcare providers, but high-tech firms in the aerospace and telecommunications industries are also a major presence. These tech firms include CenturyLink, Inc., Lockheed Martin Corporation, and Comcast Corporation, with 7,800, 7,510, and 7,250 employees, respectively (Metro Denver Economic Development Corporation).

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- Much of the population growth since 2010 has been in central parts of the metropolitan area. The population in Denver County grew an average of 2.2 percent a year, whereas the remaining counties in the metropolitan area grew an average of 1.6 percent a year.
- The consumer price index for the Denver metropolitan area in November 2019 was up 2.8 percent from a year earlier, higher than the nationwide increase of 2.1 percent. Housing cost in the Denver metropolitan area during the period was up 3.7 percent, compared with a nationwide increase of 2.9 percent.

Economic Conditions

The economy in the Denver metropolitan area expanded strongly following the last recession. Since the recovery began in 2010, total nonfarm payrolls have increased by an average of 36,600 jobs, or 3.1 percent, a year. The professional and business services sector led growth with annual increases of about 8,525 jobs, or 4.2 percent. Increases in this sector included payroll gains in the well-paying professional, scientific, and technical services industry of 5,325 jobs, or 5.3 percent, a year. Earnings for payroll employees in the metropolitan area have increased an average of 4.3 percent a year since 2016, compared with growth of 2.2 percent a year from 2011 to 2016. Population increases and rising incomes also led to payroll gains in the education and health services and the leisure and hospitality sectors averaging 5,675 and 4,600 jobs, or 4.0 and 3.6 percent, a year, respectively. In the past 12 months, however, job growth slowed to less than 2 percent, partly because of a tight labor market that made it harder for employers to fill open positions. The unemployment rate in the metropolitan area peaked at 8.7 percent in 2010, but in the past 3 years has generally been below 3.0 percent.

During the 3 months ending October 2019—

- Total nonfarm payrolls were up by 28,900 jobs, or 1.9 percent, from a year earlier. The professional and business services sector continued to lead job growth, increasing by 11,200 jobs, or 4.1 percent. The professional, scientific, and technical services industry grew by 12,200 jobs, or 8.7 percent, and earnings for employees in the professional and business services sector were up more than 5 percent from a year earlier.
- Payrolls were down, however, in the wholesale and retail trade sector by 1,000 jobs, or 0.5 percent, and payrolls were flat in the leisure and hospitality and the transportation and utilities sectors. Growth in online purchases has led to layoffs at retailers nationwide and in the metropolitan area. Firms in the metropolitan area have also reported significant labor shortages in the past year in the construction, food service, and trucking industries.

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Payrolls increased in the past 12 months in most nonfarm sectors, led by the professional and business services sector.

	3 Months Ending		Year-Over-Year Change	
	October 2018 (Thousands)	October 2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,513.2	1,542.1	28.9	1.9
Goods-Producing Sectors	179.9	182.9	3.0	1.7
Mining, Logging, & Construction	110.1	112.4	2.3	2.1
Manufacturing	69.8	70.5	0.7	1.0
Service-Providing Sectors	1,333.3	1,359.2	25.9	1.9
Wholesale & Retail Trade	212.1	211.1	-1.0	-0.5
Transportation & Utilities	61.7	61.7	0.0	0.0
Information	50.1	51.3	1.2	2.4
Financial Activities	110.9	114.5	3.6	3.2
Professional & Business Services	276.2	287.4	11.2	4.1
Education & Health Services	189.6	196.0	6.4	3.4
Leisure & Hospitality	171.5	171.5	0.0	0.0
Other Services	58.5	60.3	1.8	3.1
Government	202.6	205.5	2.9	1.4
	(Percent)	(Percent)		
Unemployment Rate	3.2	2.4		

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

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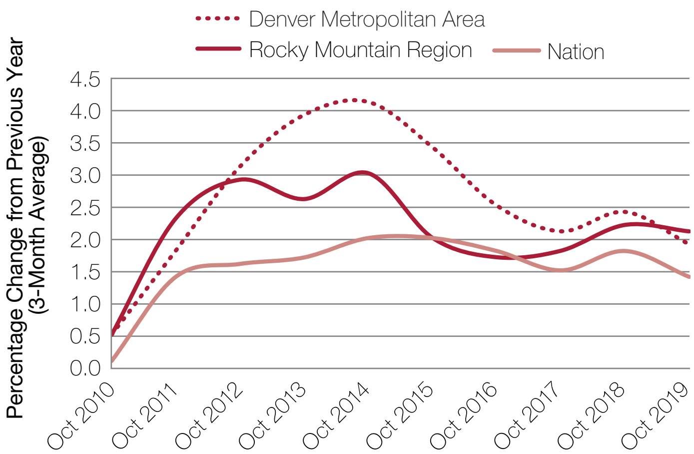
Job growth in the metropolitan area slowed recently, but during most of the current economic expansion job growth outpaced that of the region and the nation.



Note: Nonfarm payroll job growth.
Source: U.S. Bureau of Labor Statistics

- The unemployment rate in the metropolitan area averaged 2.4 percent, down from 3.2 percent a year earlier, and the current rate is the lowest since 2000. The labor force in the metropolitan area grew by a robust 27,800 workers, or 1.7 percent, from a year earlier, whereas resident employment increased by the larger amount of 41,700, or 2.6 percent.

Denver International Airport (DIA) handled 68.1 million passengers in the 12 months ending September 2019, up 7.3 percent from a year ago and is now the fifth busiest airport in the nation (flydenver.com). Commercial development has been strong in the northeast part of the metropolitan area near the airport, an area known as the DIA Aerotropolis. Recently completed projects there include a 1.0-million-square-foot Amazon.com, Inc. fulfillment center and the 1,500-room Gaylord Rockies Resort and Convention Center. During the next 20 years, the Aerotropolis is expected to continue expanding strongly, becoming one of the three largest employment hubs in the metropolitan area (along with downtown and the Denver Tech Center). The area is projected to add up to 32 million square feet of industrial and commercial space and up to 74,000 new jobs (Colorado Department of Transportation).

Largest Employers in the Denver Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
HealthONE Corporation	Education & Health Services	11,870
Centura Health	Education & Health Services	9,450
UCHealth	Education & Health Services	9,380

Note: Excludes public-sector employers and local school districts.
Source: *Denver Business Journal*, 2019 Book of Lists

Sales Market Conditions

The home sales market in the Denver metropolitan area is tight, with a 1.8-month supply of homes for sale in October 2019, down from a 2.3-month supply a year earlier (Colorado Association of Realtors®). Home sales demand was weak following the last recession, but demand rebounded quickly, and by 2012, the market was balanced. Since 2012, however, the sales market has continued to tighten, in part because of growth in demand among young, first-time homebuyers, and conditions have been tightest for existing homes in the lower price ranges (typically, homes priced below $300,000). During the past 3 years, the number of active listings has usually represented a less than 2.2-month supply of homes for sale. From 2016 through 2018, home price increases averaged 9 percent a year; however, price growth slowed to less than 4 percent in the most recent 12 months (CoreLogic, Inc., with adjustments by the analyst). The number of existing home sales increased an average of 28 percent a year from 2011 through 2015. During the past 4 years, however, existing sales have remained essentially flat, averaging about 60,500 homes a year, partly due to rising prices and limited for-sale inventories. New home sales increased from a low of less than 3,900 homes in 2011 to about 9,500 homes in the 12 months ending September 2019, or an average of 19 percent a year. The share of home mortgages that was seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status in the metropolitan area peaked at 5.7 percent in February 2010, but the rate subsequently declined as home prices increased steadily. The rate was 0.4 percent in September 2019, down from 0.5 percent a year earlier and much lower than the average rate nationwide of 1.4 percent.

- During the 12 months ending September 2019, home sales prices in the metropolitan area averaged approximately

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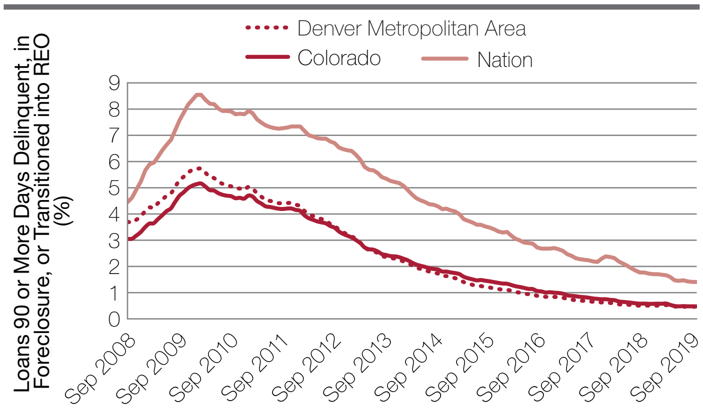
After rising during the recession, the rate of seriously delinquent mortgages and REO properties steadily declined, and the metropolitan area rate remained well below the national average.



REO = real estate owned.
Source: CoreLogic, Inc.

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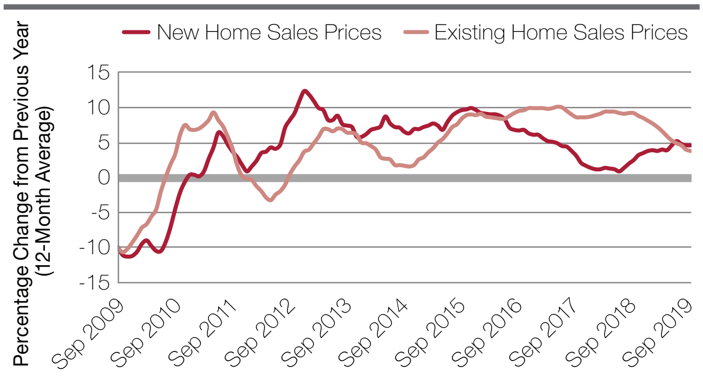
$463,800, up 4 percent from a year earlier (CoreLogic, Inc., with adjustments by the analyst). New home prices were up 5 percent, to an average of $546,000, whereas existing home prices were up less than 4 percent, to $450,500.

- Approximately 68,450 new and existing homes sold in the 12 months ending September 2019, down 2 percent from the 70,100 homes sold in the previous 12 months. Existing home sales declined 2 percent, to 58,900 homes sold. New home sales fell 3 percent, to 9,500 homes sold, after increasing 9 percent during the preceding 12-month period.
- In 2017, Colorado revised its construction defects laws governing condominiums; builders had cited concerns with potential defects litigation as a deterrent to new condominium construction. In the past 2 years, construction of attached units (which includes both condominiums and townhomes) has increased, and in the 12 months ending September 2019, approximately 2,975 new attached units sold in the metropolitan area, up from 2,825 units a year earlier, and well above the average of 1,300 units a year from 2011 through 2016 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).

Single-family homebuilding in the metropolitan area, as measured by the number of homes permitted, averaged less than 3,500 single-family homes a year from 2008 through 2011, during and after the last recession. From 2012 through 2018, single-family permitting increased an average of nearly 20 percent a year. Homebuilding activity declined recently, however.

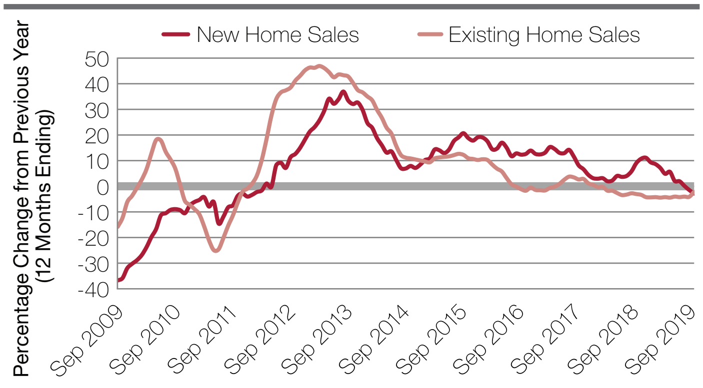
- In the 12 months ending October 2019, approximately 10,800 single-family homes were permitted, down 10 percent from 12,050 homes in the previous 12 months. Within the metropolitan area, the most active areas for homebuilding included Douglas County, which contains several fast-growing southern suburbs, with about 2,600 homes permitted; Denver County, with 2,350 homes permitted; and the northern and eastern suburbs in Adams and Arapahoe Counties, with 2,225 and 2,150 homes permitted, respectively.
- The new developments include Willow Neighborhood at Copperleaf, in southeast Aurora, in Arapahoe County, with single-family homes ranging in size from 1,420 to 3,000 square feet and at prices ranging from about $375,000 to $510,000. The Eastpoint development in Adams County, near DIA, includes single-family homes ranging in size from about 1,440 to 3,100 square feet, with prices ranging from approximately $325,000 to $430,000.
- Some builders have responded to the strong demand in lower price ranges with a shift to building smaller homes on smaller lots. Since 2017, new single-family homes sold in the metropolitan area averaged about 2,730 square feet, down from an average of 2,810 square feet from 2013 through 2016. Lot sizes for new single-family homes also decreased during that period, from an average of about 10,100 square feet to less than 9,000 square feet (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).

Price increases for existing homes have averaged more than 8 percent a year since mid-2015, but the increases slowed recently.



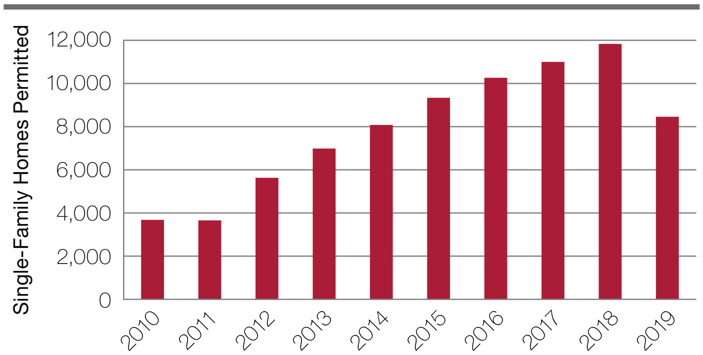
Note: New and existing home sales prices include single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

Growth in existing home sales in the past 3 years has been hindered by a low supply of for-sale listings, but new home sales increased during most of the period.



Note: New and existing home sales include single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

From 2012 through 2018, single-family permitting increased by an average of more than 19 percent a year, but homebuilding activity decreased in the most recent 12 months.



Note: Includes preliminary data from January 2019 through September 2019.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

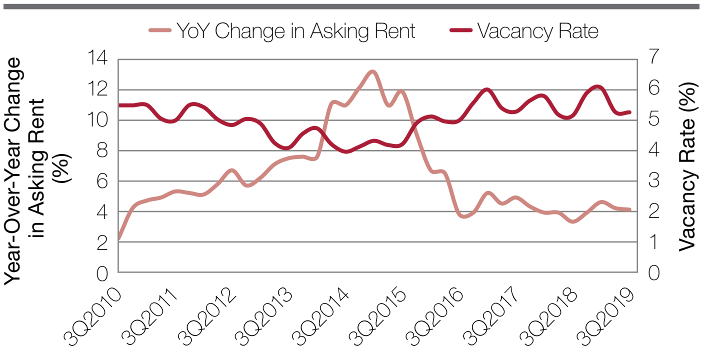
Apartment Market Conditions

The apartment market in the Denver metropolitan area is currently balanced. The market was soft following the last recession, but transitioned to tight conditions by 2013, because net in-migration contributed to the absorption of vacant units, and construction lagged behind the growth in apartment demand. From 2013 through 2015, apartment vacancies averaged less than 4.4 percent, and rent growth averaged nearly 10 percent a year (*Apartment Insights*). In the past 4 years, however, apartment deliveries have kept pace with the growth in demand and the market has been balanced. Apartment completions averaged about 1,600 units a year from 2010 through 2012 but increased to 7,250 units a year from 2013 through 2015, and since 2016, completions in the metropolitan area have averaged almost 9,000 units a year. Although apartment deliveries are at record levels, absorption of the new units has been sufficiently strong that vacancies remained relatively stable. Since 2016, apartment vacancies averaged 5.4 percent, with the rate typically fluctuating between 5 and 6 percent, and rent growth averaged 4.5 percent a year. Although rent growth slowed, the rent increases in the metropolitan area since 2016 have continued to outpace average income gains, and affordability remains a challenge for many renter households.

In the third quarter of 2019—

- The apartment vacancy rate in the metropolitan area was 5.3 percent, nearly unchanged from 5.2 percent a year earlier, and apartment rents averaged about $1,500, up 4 percent from a year earlier (*Apartment Insights*).
- Rents in the metropolitan area are typically highest in the central submarkets. Apartment rents in the *Apartment Insights*-defined Central Business District submarket averaged about $1,925, compared with $1,575 in Denver County and $1,425 in the surrounding suburban counties. The A-Line train, providing access from DIA to Union Station, was completed in 2016, boosting demand among business travelers for high-end units downtown.

The apartment market has been balanced for the past 3 years, with vacancy rates generally remaining between 5 and 6 percent and rent growth averaging about 4 percent a year.



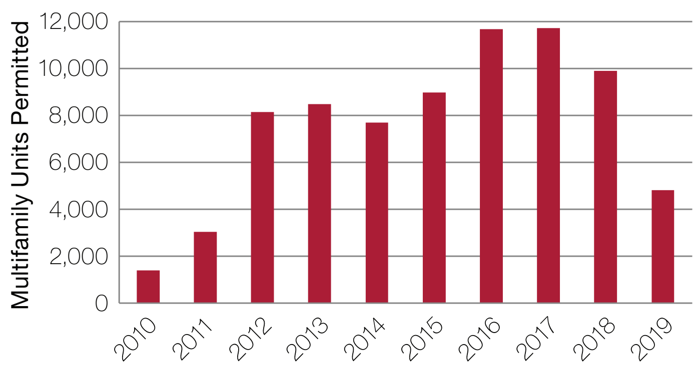
3Q = third quarter. YoY = year-over-year.
Source: *Apartment Insights*

- From 2008 to 2018, the share of renter households in the metropolitan area that were cost-burdened (paying more than 30 percent of household income on gross housing costs) rose slightly, from 50.9 percent to 51.4 percent (Apartment List, Inc.).

Multifamily construction activity remains strong in the metropolitan area, although permitting is down from its peak of nearly 12,000 units a year in 2016 and 2017. Challenges faced by many renters in transitioning to homeownership support continued apartment demand.

- During the 12 months ending October 2019, approximately 9,050 multifamily units were permitted in the metropolitan area, up nearly 9 percent from the 8,300 units permitted in the previous 12 months. Permitting was up 25 percent in Denver County, to about 5,625 units, but permitting declined 10 percent in the other counties in the metropolitan area, to about 3,425 units, combined.
- Although multifamily permitting in the 12 months ending October 2019 was down 25 percent from its peak in 2016 and 2017, apartment deliveries remain elevated because of delays in completing previously permitted projects, due in part to labor shortages. Approximately 8,250 units were completed in the first 9 months of 2019, compared with an average of 8,925 units completed during the same periods in 2017 and 2018.
- Many apartments built in the past 4 years, particularly those in central submarkets in the metropolitan area, were luxury units. The 552-unit Country Club Towers II & III, a class A property near Washington Park, has rents for studio, one-, two-, and three-bedroom units ranging from about $2,025 to nearly $5,750 (*Apartment Insights*). New apartments in suburban submarkets often have lower rents. The 219-unit IMT at RidgeGate, a class B property in the city of Lone Tree, in northern Douglas County, has rents for studio, one-, two-, and three-bedroom units ranging from about $1,370 to nearly $2,600.

Multifamily permitting peaked in 2016 and 2017 at nearly 12,000 units a year, but the building activity has declined in the past 2 years.



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Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst