

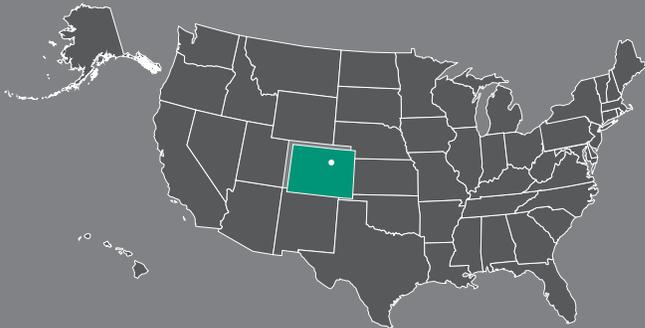
HUD PD&R Housing Market Profiles

Denver-Aurora-Lakewood, Colorado



Quick Facts About Denver-Aurora-Lakewood

- Current sales market conditions: slightly tight.
- Current apartment market conditions: tight.
- *Forbes* magazine ranked Denver the sixth fastest growing city in the United States during 2015. Strong employment and population growth contributed to the ranking.



By Sam Young | As of January 1, 2015

Overview

The Denver-Aurora-Lakewood (hereafter, Denver) metropolitan area is in north-central Colorado, at the eastern edge of the Rocky Mountains. Major industries include tourism, health care, telecommunications, and high-technology manufacturing. Leading employers include HealthONE LLC, CenturyLink, Inc., and Lockheed Martin Corporation, with approximately 8,350, 6,500, and 4,750 employees, respectively. As a regional center for federal government agencies, and with the city of Denver as the state capital, the metropolitan area also relies heavily on public-sector employment, with more than 69,000 state and federal employees.

- As of January 1, 2015, the estimated population in the metropolitan area was 2.77 million, reflecting an average annual increase of 47,600, or 1.8 percent, since July 2010.
- Despite weaker economic and housing market conditions from mid-2005 through mid-2010, population growth remained relatively strong, averaging 40,900 people, or 1.7 percent, annually, partially because quality-of-life factors attract people to the metropolitan area.
- Net in-migration averaged less than 40 percent of total population growth from mid-2005 through mid-2010, which kept population growth at 1.7 percent annually. Since 2010, net in-migration has nearly doubled, to an average of 28,600 people, or 60 percent of population growth, annually as job growth increased dramatically after recovering from the effects of the national recession.



PD&R

Job growth occurred in nearly every nonfarm employment sector in the Denver area.

	3 Months Ending		Year-Over-Year Change	
	December 2013 (thousands)	December 2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	1,314.9	1,353.4	38.5	2.9
Goods-producing sectors	146.7	155.6	8.9	6.1
Mining, logging, and construction	82.6	87.3	4.7	5.7
Manufacturing	64.2	68.2	4.0	6.2
Service-providing sectors	1,168.2	1,197.9	29.7	2.5
Wholesale and retail trade	196.6	198.2	1.6	0.8
Transportation and utilities	49.4	49.3	-0.1	-0.2
Information	43.4	42.5	-0.9	-2.1
Financial activities	96.1	97.7	1.6	1.7
Professional and business services	237.5	243.8	6.3	2.7
Education and health services	163.1	172.4	9.3	5.7
Leisure and hospitality	141.9	148.3	6.4	4.5
Other services	50.8	51.3	0.5	1.0
Government	189.5	194.3	4.8	2.5
	(percent)	(percent)		
Unemployment rate	5.9	3.8		

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

Economic Conditions

Nonfarm payroll growth exceeded 3.0 percent annually from 2012 through 2014, contributing to strong economic conditions in the Denver metropolitan area.

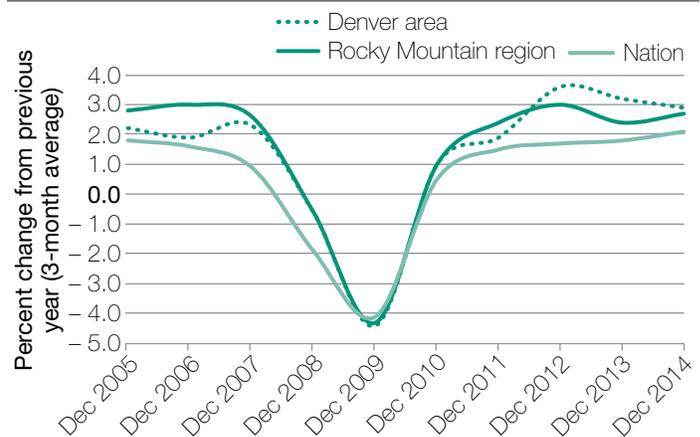
During the fourth quarter of 2014—

- Nonfarm payrolls averaged 1.35 million jobs, a gain of 38,500 jobs, or 2.9 percent, compared with nonfarm payrolls during the same period a year earlier.
- The professional and business services sector, the largest sector in the metropolitan area, accounted for more than 18 percent of all nonfarm payrolls. The sector averaged 243,800 jobs, an increase of 6,300 jobs, or 2.7 percent, from a year ago. The recent gains were in addition to average annual increases of 9,500 jobs, or 4.4 percent, from 2010 through 2013.
- The greatest number of job gains were in the education and health services sector, which grew by 9,300 jobs, or 5.7 percent, to an average of 172,400.
- The unemployment rate averaged 3.8 percent, down from 5.9 percent during the same period a year ago, as employment gains far outpaced labor force growth.

Strong employment growth in the education and health services sector was supported by the recent completion of the new National Jewish Health-Saint Joseph Hospital. The 831,000-square-foot facility has 21 operating rooms, has bed capacity for 400 patients,

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Employment growth in the Denver area has outpaced growth in the region and the nation since 2012.



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

Largest employers in the Denver area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
HealthONE LLC	Education and health services	8,360
CenturyLink, Inc.	Information	6,500
SCL Health	Education and health services	6,030

Note: Excludes local school districts.
Source: Moody's economy.com



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and cost \$623 million. Nonresidential construction of facilities like this hospital; continuing development of the Union Station neighborhood in the city of Denver, adjacent to the Union Station transit hub; and high levels of multifamily construction are supporting

construction subsector job growth in the metropolitan area. The mining, logging, and construction sector increased by 4,700 jobs, or 5.7 percent, to an average of 87,300 jobs during the fourth quarter of 2014.

Sales Market Conditions

The sales housing market in the Denver metropolitan area is currently slightly tight. During 2014, approximately 67,300 new and existing single-family homes, townhomes, and condominiums (hereafter, new and existing homes) sold, a decrease of nearly 2 percent compared with the number sold a year ago (Metrostudy, A Hanley Wood Company). During the same period, the average sales price for new and existing homes increased more than 5 percent, to \$320,700. Low levels of for-sale inventory led to the decline in the number of home sales.

- New and existing home sales increased nearly 9 percent annually from a recent low of 53,650 home sales during 2010 to 68,550 homes sold during 2013. During that period, home sales prices increased nearly 6 percent annually (Metrostudy, A Hanley Wood Company).
- The inventory of homes available for sale remains very low, at a 1.1-month supply in December 2014, down from the 2.1-month supply a year earlier and significantly less than the 6.1-month supply during December 2010 (Denver Metro Association of Realtors®).
- More than 40 percent of new and existing homes sold in 2014 sold for \$300,000 or more, up from 24 percent in 2010 (Metrostudy, A Hanley Wood Company).
- The metropolitan area, which ranked third nationally for increased home sales prices since mid-2006, is one of only six U.S. metropolitan areas to recover from the national recession and surpass the previous peak in home sales prices (Black Knight Financial Services, Inc.).

Strong demand and low levels of for-sale inventory in the Denver area have led to increased sales prices for new and existing homes since 2012.



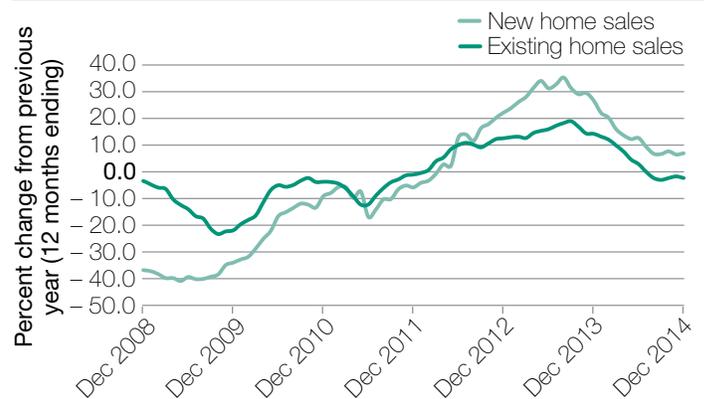
Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

- As of December 2014, 1.8 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into real estate owned (REO) status, down from 2.4 percent a year earlier. The rate of distressed mortgages and REO properties peaked at 6.0 percent of home loans in January 2010 (Black Knight Financial Services, Inc.).

Single-family homebuilding activity, as measured by the number of single-family homes permitted, has increased steadily in the Denver metropolitan area from a recent low during 2009. Current activity is equal to the level reached during 2007 but still far below the average of 20,400 homes permitted annually from 2004 through 2006.

- During 2014, permits were issued for approximately 8,050 single-family homes, a 15-percent increase from the number permitted a year earlier (preliminary data).
- An average of 20,400 homes were permitted annually from 2004 through 2006, before construction activity declined nearly 49 percent annually, to 2,725 homes permitted, during 2009. Homebuilding activity has since rebounded and increased an average of 24 percent annually from 2009 through 2014.
- The Meadows, a master-planned community in the northeastern portion of the city of Castle Rock, offers two- to four-bedroom homes at prices ranging from \$260,000 to \$515,000. In addition, Reunion, a community in Commerce City, is offering new homes beginning at \$240,000.

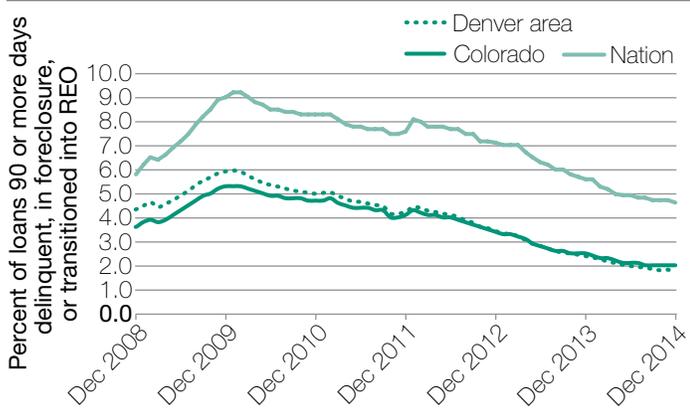
Home sales surged in the Denver area from 2011 through 2013 but slowed recently because of low levels of for-sale inventory.



Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

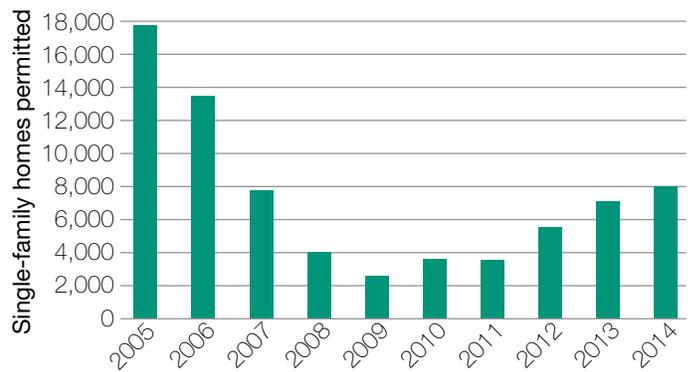


Loan delinquency rates in the Denver area and Colorado were less than one-half the national rate.



REO = real estate owned.
Source: Black Knight Financial Services, Inc.

Single-family home permitting has increased since 2009 in the Denver area but remained well below the previous peak.



Note: Includes preliminary data from January 2014 through December 2014.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

The apartment market in the Denver metropolitan area is currently tight, despite many newly constructed units recently entering the market.

During the fourth quarter of 2014—

- The apartment vacancy rate averaged 4.1 percent, down from 4.6 percent a year earlier (*Apartment Insights*).
- Vacancy rates continued to decline despite the more than 8,000 apartments constructed annually from 2012 through 2014. Strong net in-migration and job growth continued to support household growth, and apartment absorption continued at a record-setting pace of more than 7,000 units during 2014.

Despite high levels of apartment construction, vacancy rates continued to decline and rents continued to rise in the Denver area.



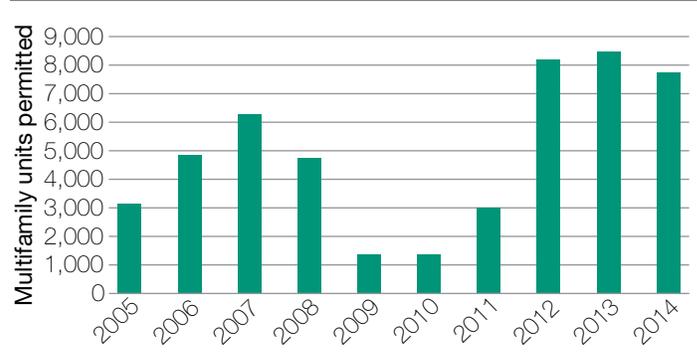
Note: Data are for conventional, stabilized properties.
Source: *Apartment Insights*

- Apartment rents averaged \$1,160 monthly, up nearly 12 percent from a year ago, after an average rent increase of more than 5 percent annually from 2010 through 2012.
- Asking rents in the metropolitan area averaged approximately \$1,050, \$1,320, and \$1,670 for one-, two-, and three-bedroom units, respectively.

Builders increased multifamily construction, as measured by the number of multifamily units permitted, to an average of 8,075 units annually from 2012 through 2014, more than double the average of 3,575 units annually from 2005 through 2011. This dramatic

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Multifamily permitting since 2011 has been substantially greater than the average during the previous decade, adding significantly to supply in the Denver area.



Note: Includes preliminary data from January 2014 through December 2014.
Source: U.S. Census Bureau, Building Permits Survey



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increase was partly in response to average annual net in-migration since 2010 that was more than double the average during the previous decade.

During the fourth quarter of 2014—

- More than 2,200 multifamily units were permitted in the Denver metropolitan area, continuing the high level of permitting after 2,100 units were permitted a year earlier (preliminary data). By comparison, an average of 950 multifamily units were permitted during the fourth quarters from 2005 through 2011, when net in-migration to the metropolitan area was 40 percent lower than the average since 2010.

- Approximately 19,500 apartment units were under construction in the metropolitan area, and more than 18,500 units were in various stages of planning.
- Developments under way in the metropolitan area included Platform at Union Station, which is expected to be complete in the spring of 2015. The 287-unit project is adjacent to Union Station, and rents for studio, one-bedroom, and two-bedroom units are expected to start at \$1,250, \$1,525, and \$2,600 a month, respectively. The 424-unit Camden Flatirons, in Broomfield, is nearing completion, and rents for one- and two-bedroom units begin at \$1,210 and \$1,370, respectively.

