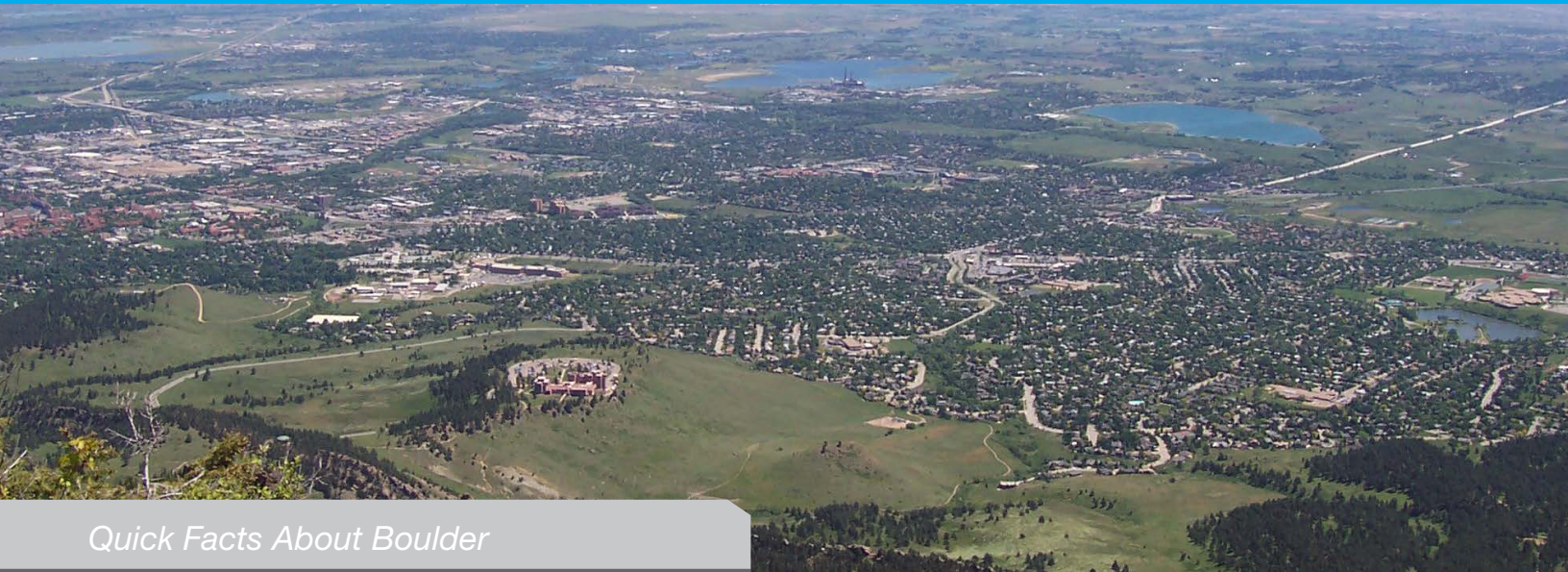


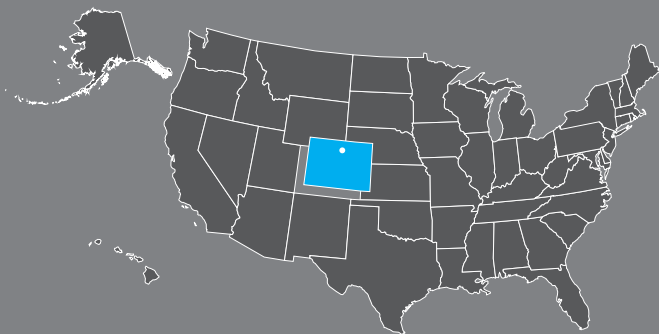
# HUD PD&R Housing Market Profiles

## Boulder, Colorado



### Quick Facts About Boulder

- **Current sales market conditions: tight.**
- **Current apartment market conditions: slightly soft.**
- **The metropolitan area has the most high-technology (hereafter, high-tech) startups per capita, more than double the rate in the Silicon Valley area and six times the national rate (Kauffman Foundation Research Series, 2013 report).**



By Katharine Auchter | As of December 1, 2016

### Overview

The Boulder metropolitan area is coterminous with Boulder County in central Colorado, in the foothills of the Rocky Mountains. The metropolitan area has a highly educated population and is a center for entrepreneurial activity, including many high-tech startups. In 2015, *Forbes* ranked the metropolitan area as the most educated in the nation because more than 60 percent of adults have at least a bachelor's degree. Recent strong job growth and a moderate climate with many outdoor recreation opportunities attract people to the metropolitan area as both residents and visitors.

- The population is estimated to be 324,000, an increase of approximately 4,425, or 1.4 percent, annually since 2010. Approximately 34 percent of the population resides in the city of Boulder.
- Population growth since 2010 has been primarily driven by net in-migration, which comprised approximately 70 percent of population growth. Net in-migration has averaged 3,125 people annually since 2010.
- Net in-migration averaged 1,575 people from 2005 to 2008 and then decreased to 840 people annually from 2008 to 2010 because of the effects of the Great Recession (Census Bureau Population estimates as of July 1).



Strong increases in leisure and hospitality and government sector payrolls offset slight declines in the manufacturing and wholesale and retail trade sectors in the Boulder area.

	3 Months Ending		Year-Over-Year Change	
	November 2015 (thousands)	November 2016 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	183.4	188.9	5.5	3.0
Goods-producing sectors	23.2	23.4	0.2	0.9
Mining, logging, and construction	5.5	6.0	0.5	9.1
Manufacturing	17.6	17.4	-0.2	-1.1
Service-providing sectors	160.3	165.5	5.2	3.2
Wholesale and retail trade	22.8	22.7	-0.1	-0.4
Transportation and utilities	1.8	1.8	0.0	0.0
Information	7.8	8.0	0.2	2.6
Financial activities	7.2	7.2	0.0	0.0
Professional and business services	33.7	34.1	0.4	1.2
Education and health services	23.7	24.5	0.8	3.4
Leisure and hospitality	20.3	22.8	2.5	12.3
Other services	5.9	6.0	0.1	1.7
Government	37.1	38.3	1.2	3.2
	(percent)	(percent)		
<b>Unemployment rate</b>	2.6	2.4		

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

## Economic Conditions

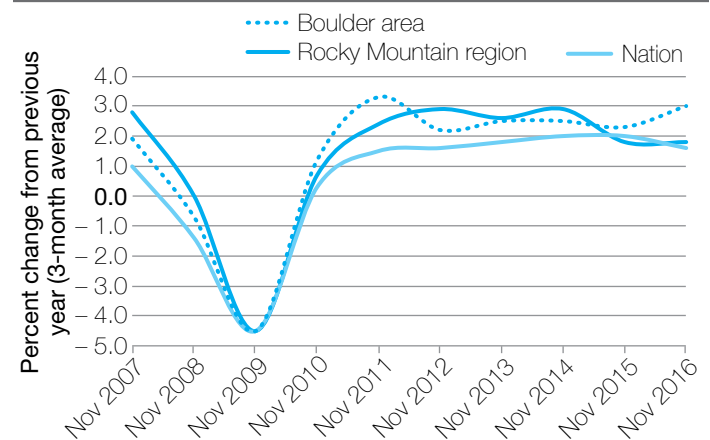
The Boulder metropolitan area recovered the number of jobs lost during the Great Recession by the end of 2012, and jobs increased in each subsequent year. During the 3 months ending November 2016, growth in total nonfarm payrolls in the metropolitan area outpaced growth in the state and the nation, increasing by 5,500 jobs, or 3.0 percent from the same period a year earlier, to 188,900 jobs. The unemployment rate averaged 2.4 percent, down from 2.6 percent a year earlier. The last time the unemployment rate was this low was in 1999 and 2000 before the bursting of the dot-com bubble in 2001.

During the 3 months ending November 2016—

- The leisure and hospitality sector led nonfarm payroll growth with both the most new jobs and the fastest rate of increase in jobs, growing by 2,500 jobs, or 12.3 percent, from the same period a year earlier, to 22,800 jobs. Tourism has increased to the metropolitan area, with overnight visitors spending \$486.3 million in 2015, up an average of 4 percent annually since 2010 (Colorado Tourism Office 2016 report). Visitors are attracted to the nearby mountains for outdoor pursuits and events at the University of Colorado Boulder (CU Boulder).

continued on page 3

During the past year, job growth in the Boulder area outpaced growth in the region and nation.



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

## Largest employers in the Boulder area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Boulder Community Health	Education and health services	2,310
Medtronic PLC	Manufacturing	2,150
Centura Health System	Education and health services	1,910

Note: Excludes employers in the government sector and retail trade subsector.  
Source: Metro Denver Economic Development Corporation

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- Government was the largest employment sector in the metropolitan area, comprising 20 percent of nonfarm payrolls. Government payrolls totaled 38,300 jobs, an increase of 1,200 jobs, or 3.2 percent, from a year earlier, which was the second largest payroll sector increase. The metropolitan area is home to 17 federal research labs with approximately 4,725 employees, which had an economic impact of \$743.2 million in fiscal year 2012 (CU Boulder 2013 report). In addition, CU Boulder enrolled about 31,850 students and employed 8,950 people as of the fall 2016 semester (CU Boulder).
- The mining, logging, and construction sector had the second fastest rate of employment growth in percentage terms, increasing 9.1 percent, an addition of 500 jobs from a year earlier, to 6,000 jobs. In addition to increased residential construction during the past 12 months, construction is under way at the \$100 million, 220,000-square-foot first phase of the Google, Inc. campus, which is expected to be complete by June 2017.
- The manufacturing sector lost 200 jobs, or 1.1 percent, partially offsetting gains in other payroll sectors. At the end of 2015, Amgen Inc., a pharmaceutical manufacturing company, closed its production facility in the city of Longmont, eliminating 430

jobs. AstraZeneca, another pharmaceutical research and manufacturing company, purchased the property in the fall of 2016 and is expected to add as many as 250 employees during the next 12 months.

The high-tech industry includes portions of the information, professional and business services, other services, government, and manufacturing sectors and has a significant economic impact in the metropolitan area. High-tech jobs in the science, technology, engineering, and math (STEM) fields typically pay higher wages. The 2015 median household income in Boulder County was \$72,009, more than the median household incomes of \$63,909 and \$55,775 in Colorado and the nation, respectively (2015 American Community Survey 1-year data). Sierra Nevada Corporation's Space Systems in the city of Louisville announced plans to add 400 jobs to produce the Dream Chaser Cargo System, an unmanned spacecraft intended to resupply the International Space Station starting in 2021. The company was also among six selected by the National Aeronautics and Space Administration to develop deep-space habitat concepts during the next 18 months. Google will add approximately 1,000 new jobs after completion of the new office campus in the city of Boulder, although the timing of those additions is uncertain.

## Sales Market Conditions

The sales housing market in the Boulder metropolitan area currently is tight, with an estimated sales vacancy rate of 0.7 percent, down from 1.8 percent in April 2010. The percentage of home loans that were seriously delinquent (those 90 or more days delinquent or in foreclosure) or had transitioned into real estate owned status peaked at 2.8 percent in March 2010 in the metropolitan area. The rate in October 2016 was 0.4 percent, down slightly from 0.6 percent a year earlier. By comparison, the rates in October 2016 in Colorado and the nation were 1.0 and 2.6 percent, respectively (CoreLogic, Inc.).

During the 12 months ending October 2016—

- Sales of existing homes decreased 12 percent from the previous 12 months, to 5,500 homes sold, in part because of low inventories of homes for sale. As of November 2016, the metropolitan area had a 1.8-month supply of for-sale inventory (Boulder Area Realtor® Association).
- The low inventory of existing homes for sale also led to increased demand for new homes. New home sales increased 3 percent, to 770 homes sold, from a year earlier (CoreLogic, Inc., with adjustments by the analyst). New home sales have been increasing since a low of 360 homes sold in 2011 but are still relatively subdued when compared with the average of 1,375 new homes sold annually from 2001 through 2005.

- The average sales price for existing homes increased 14 percent from a year earlier to \$524,500. Contributing to the sharp increase was a 21-percent increase in the average price of condominiums and townhomes sold (Boulder Area Realtor® Association). Construction of condominiums and townhomes has been limited, increasing the demand for existing units.
- The average sales price for new homes in the metropolitan area increased 12 percent from a year earlier, to \$553,700 (CoreLogic, Inc. with adjustments by the analyst). Prices have recovered from the average low of \$370,300 in 2011 and are now more than 20 percent higher than the prerecession peak in 2007.

Single-family homebuilding activity is concentrated in the communities surrounding the city of Boulder, especially in Longmont and Erie, where land is more available and more affordable relative to the city of Boulder. The city of Boulder is largely built out and has minimal room for expansion because it is surrounded by more than 45,000 acres of land designated as open space; in addition, in April 2015, the city government imposed height restrictions ranging from 35 to 55 feet on new construction, which will remain in place for 2 years. More than 80 percent of the homes permitted in the metropolitan area during the past 12 months were in the suburbs surrounding the city of Boulder.

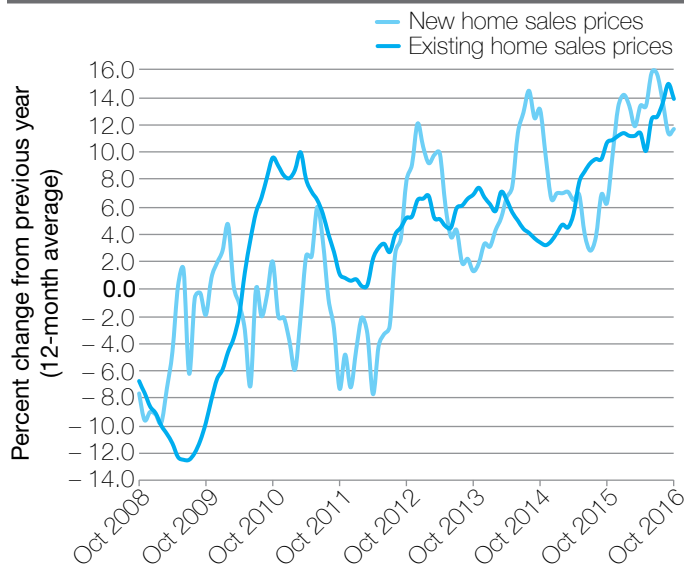
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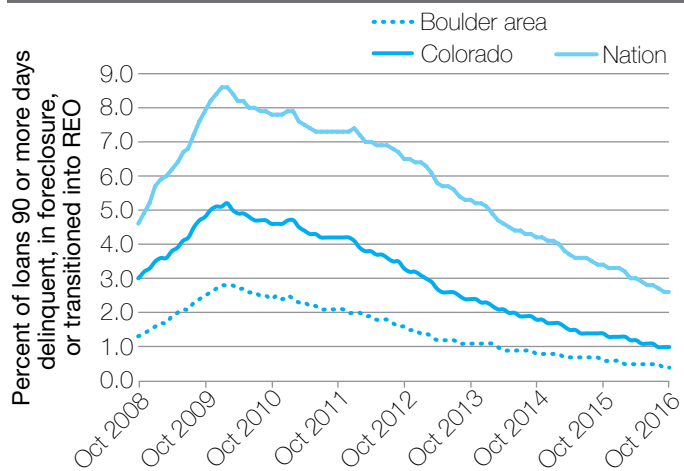
- During the 12 months ending November 2016, permitting of single-family homes increased 17 percent from the previous 12 months, to 720 homes permitted in the metropolitan area (preliminary data).

Monthly year-over-year price growth for new and existing home sales during the past year has exceeded 10 percent in the Boulder area.



Note: Includes single-family homes, townhomes, and condominiums.  
Source: CoreLogic, Inc., with adjustments by the analyst

The rate of seriously delinquent mortgages and REO properties in the Boulder area has stayed consistently below the rates for the state and nation.

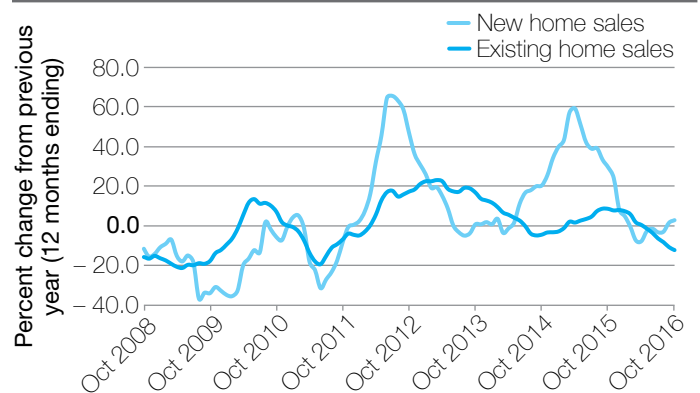


REO = real estate owned.

Source: CoreLogic, Inc., with adjustments by the analyst

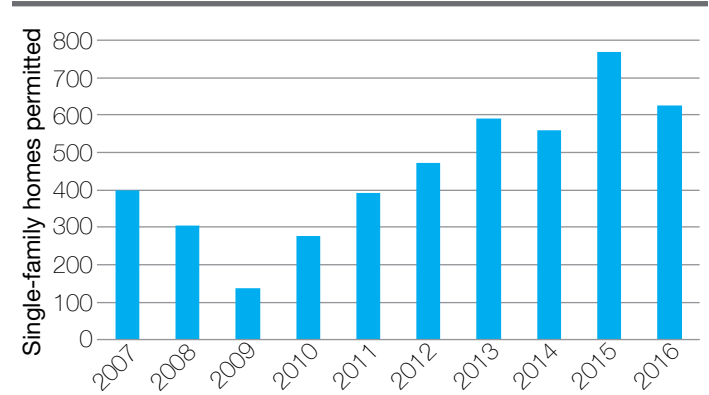
- In Longmont, 36 lots were made available during the second quarter of 2016 in the Quail Ridge subdivision (Metrostudy, A Hanley Wood Company). The first 8 were complete by the end of the third quarter of 2016, and 13 more currently are under construction. The remaining lots will likely be built out in 2017. The price of a new home in the subdivision starts at \$250,000.
- In Erie, the 155-lot Compass subdivision began construction during the first quarter of 2015. With 11 homes completed and 51 under way as of the third quarter of 2016, the subdivision is expected to be built out by the end of 2018, although future phases may begin development. The starting price for a three-bedroom, two-bathroom home in the subdivision is \$381,500.

New home sales increased slightly during the past year in the Boulder area, but existing sales declined.



Note: Includes single-family homes, townhomes, and condominiums.  
Source: CoreLogic, Inc., with adjustments by the analyst

The average number of single-family homes permitted in the Boulder area annually since 2012 has exceeded the number of homes permitted every year from 2004 to 2011.



Note: Includes preliminary data from January 2016 through November 2016.  
Source: U.S. Census Bureau, Building Permits Survey

## Apartment Market Conditions

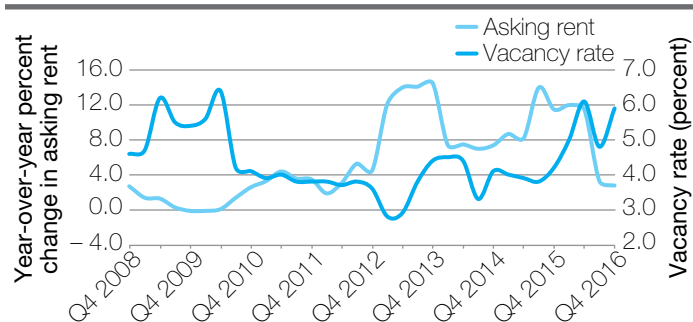
Apartment market conditions in the Boulder metropolitan area are slightly soft, in part because of the high number of new units completed during the past 5 years, which somewhat exceeded the growth in demand. The vacancy rate among units in properties with stabilized occupancy averaged 5.9 percent during the fourth quarter of 2016, up from 4.4 percent a year earlier (*Apartment Insights*).

- Rent growth slowed in the past year because of the softening market conditions, and the average rent increased 2.8 percent to \$1,479 during the fourth quarter of 2016 from the previous year. By comparison, annual rent growth exceeded 7.0 percent each year from 2013 through 2015.
- Approximately 1,030 units in six projects are in lease up in the metropolitan area, contributing to softening market conditions; 70 percent of these units are in the city of Boulder and were approved before the height restriction regulations.
- Apartment market conditions in the metropolitan area are tightest in the city of Boulder, which includes the main campus of the University of Colorado. The vacancy rate in the city of Boulder averaged 5.5 percent during the fourth quarter of 2016, up from 4.3 percent a year earlier, and the average rent increased 4.5 percent to \$1,575.
- Apartment market conditions are somewhat softer in the remaining areas of the metropolitan area, where the vacancy rate averaged 6.2 percent during the fourth quarter of 2016 and average rents increased 0.9 percent to \$1,394.

Despite softening apartment market conditions in the metropolitan area, multifamily construction remains strong. During the 12 months ending November 2016, 1,000 units were permitted, more than double the 475 units permitted a year earlier (preliminary data). From 2009 through 2011, an average of 290 units were permitted annually. From 2012 through 2014, increased net in-migration to the metropolitan area contributed to increased demand for rental units, and apartment construction increased to an average of 890 units annually.

- Nearly all the multifamily units permitted in the metropolitan area in recent years have been for apartments. Since 2008, condominium construction has averaged fewer than 40 units annually, despite the tight condominium sales market, in part because of a perceived risk of litigation among developers following the Colorado Homeowner Protection Act of 2007. By comparison, from 2000 through 2007, an average of more than 300 condominiums were built in the metropolitan area annually (CBRE construction database).
- No large-scale apartment projects currently are under way in the city of Boulder, in part because of height restrictions on development

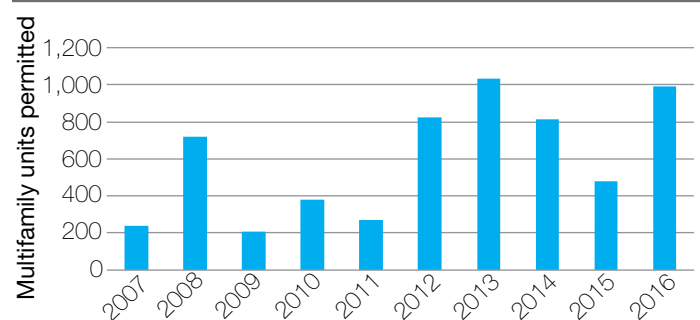
A large number of units in lease up contributed to the increased vacancy rate and slower rent growth in the Boulder area during the past year.



Q4 = fourth quarter.

Source: *Apartment Insights*

Following 2 years of decreased multifamily construction, the Boulder area posted increased permitting activity again in 2016.



Note: Includes preliminary data from January 2016 through November 2016.

Source: U.S. Census Bureau, Building Permits Survey

and more affordable land in the suburbs. Most new apartment construction is in the city of Longmont, where approximately 1,525 units currently are under way (*Apartment Insights*).

- Growth in demand and the rising cost of housing have created a greater need for affordable housing. In Longmont, three underway projects include units restricted to households with incomes at or below 60 percent of the Area Median Income. The 140-unit Griffis Centennial Park, 240-unit Copper Peak, and 114-unit Crisman apartments are all expected to be complete by the end of 2017. In addition, the 200-unit Kestrel Development Apartments in Louisville, expected to be complete by the fall of 2017, will also be income restricted.
- In Louisville, the 130-unit market-rate DeLo Apartments are under construction and expected to be complete by the end of the summer in 2017. Monthly rents for the primarily one-bedroom units are expected to average \$1,500.
- Sandstone Vistas and the Springs at Sandstone Ranch, both with 240 units, are under way in the Sandstone subdivision in Longmont. Both market-rate projects are expected to be complete by the summer of 2018.