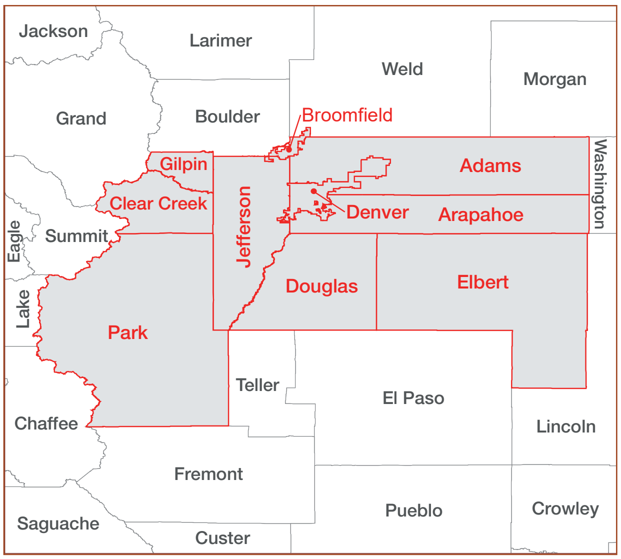
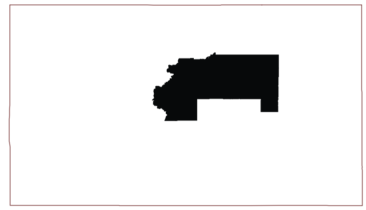
C O M P R E H E N S I V E   H O U S I N G   M A R K E T   A N A L Y S I S

Denver, Colorado

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of July 1, 2018





Housing Market Area

The Denver Housing Market Area (HMA), is coterminous with the Denver-Aurora-Lakewood, CO Metropolitan Statistical Area in north-central Colorado, and is at the eastern edge of the Rocky Mountains. For purposes of this analysis, the HMA is divided into three submarkets: 1) the Denver County submarket, which is coterminous with the city of Denver; 2) the Northwest submarket, comprising Adams, Broomfield, Clear Creek, Gilpin, Jefferson, and Park Counties; and 3) the Southeast submarket, comprising Arapahoe, Douglas, and Elbert Counties.

Summary

Economy

The economy of the Denver HMA continues expanding with robust job growth following the end of the last recession. Nonfarm payrolls increased 2.3 percent during the 12 months ending June 2018, compared with a year earlier, to 1.48 million jobs. Job growth slowed from the average of 2.9 percent a year from 2011 through 2017. The professional and business services sector led job gains. Jobs are expected to continue to increase, but at a slower rate, averaging 2.0 percent a year, during the next 3 years.

Sales Market

The home sales market in the Denver HMA is slightly tight. Relatively tight market conditions persist in all submarkets, as strong population and job growth contribute to sustained housing demand. During the 12 months ending May 2018, the average home sales price increased 8 percent to $433,900, but total home sales declined 3 percent from a year earlier to 71,200 sales (CoreLogic, Inc., with adjustments by the analyst). The HMA had 1.8 months of supply of inventory in June 2018, down from 2.2 months of supply a year earlier (Colorado Association of Realtors®). During the 3-year forecast, demand is estimated for 27,925 homes in the HMA, including the 4,700 already under construction (Table 1).

Rental Market

The rental market in the Denver HMA is currently balanced, with an estimated vacancy rate of 5.7 percent, down from 7.1 percent in April 2010. The apartment market is also balanced, with a vacancy rate of 5.2 percent

Market Details

among stabilized properties during the second quarter of 2018, down from 5.4 a year earlier *(Apartment Insights)*. The average rent increased nearly 4 percent to $1,412. During the next 3 years, demand is estimated for 24,225 new market rate units. The 11,300 units currently underway will meet a portion of the demand (Table 1).

Table 1. Housing Demand in the Denver HMA During the Forecast Period

	Denver HMA		Denver County Submarket		Northwest Submarket		Southeast Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	27,925	24,225	6,275	10,850	10,750	6,100	10,900	7,275
Under construction	4,700	11,300	1,100	8,000	1,600	1,800	2,000	1,500

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2018. Sales demand includes an estimated demand for 575 mobile homes. The forecast period is July 1, 2018, to July 1, 2021.

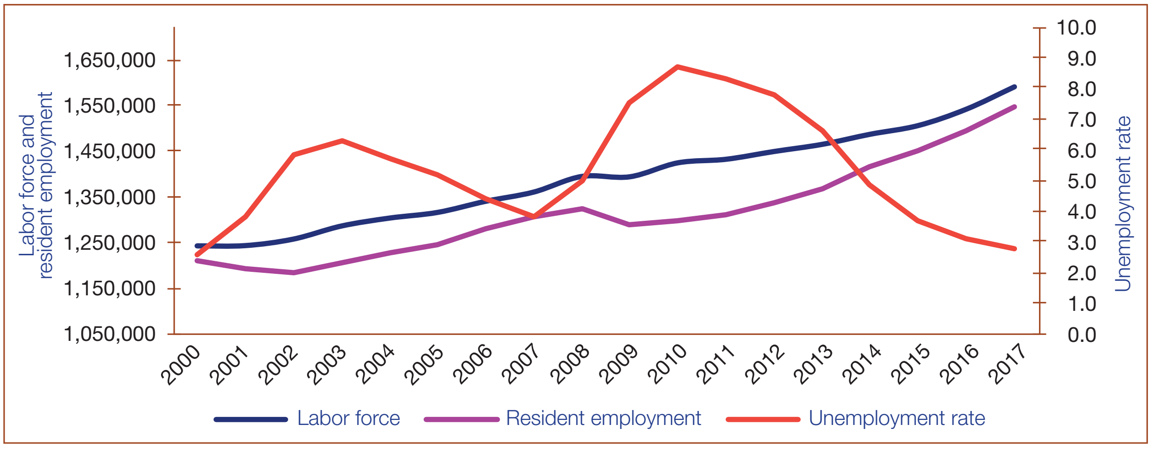
Source: Estimates by analyst

Economic Conditions

The Denver HMA has had strong growth since 2011, following the end of the last local economic downturn. The robust job growth is a reversal from a relatively weak decade prior that resulted from two economic contractions. The HMA is home to the largest concentration of civilian federal employment outside of the District of Columbia. Other notable industries include health care, tourism, aerospace research, and manufacturing for defense contractors. During the 12 months ending June 2018, the unemployment rate was 2.8 percent, unchanged from a year earlier. The rate is similar to the 2.6-percent rate in 2000 when the economy was also strong, and well below the peak of 8.7 percent in 2010, during the depths of the last recession (Figure 1).

During the 1990s, job growth in the Denver HMA outpaced the nation, with an average annual increase of 3.5 percent compared with 1.9 percent nationally. Much of the job growth in the HMA was spurred by rapid development

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Denver HMA, 2000 Through 2017



Source: U.S. Bureau of Labor Statistics in technology-related industries such as telecommunications and computer equipment manufacturing. The subsequent bursting of the dot.com bubble in 2001 and resulting recession hit the HMA particularly hard. Nonfarm payrolls previously peaked at 1.21 million jobs in 2000, but from 2001 through 2003, jobs in the Denver HMA decreased an average of 17,700 a year, or 1.5 percent. By comparison, jobs declined an average of 0.7 percent nationally in 2002 and 2003, making the impact in the HMA longer and more severe. The professional and business services and the information sectors had the most job losses in the HMA, decreasing an average of 6,300 and 5,700 jobs a year, or 3.3 and 8.7 percent, respectively.

Recovery from the first recession was modest, and the HMA did not surpass the previous peak for total payrolls until 2006. From 2004 through 2008, nonfarm payrolls increased an average of 19,000 jobs a year, or 1.6 percent. The professional and business services sector led the recovery, adding an average of 7,500 jobs a year, or 3.9 percent. Partially offsetting job growth across most sectors, however, was the continued decline in the information sector which lost an average of 1,500 jobs, or 2.9 percent, a year.

During the second economic contraction of the decade, the HMA had 2 years of job losses, averaging declines of 29,800 jobs, or 2.4 percent, a year in 2009 and 2010. The largest job losses in the HMA were the declines averaging 10,900 jobs a year in the mining, logging, and construction sector, and 6,300 jobs a year in the professional and business services sector, or 12.7 and 2.9 percent, respectively. The reduced demand for residential construction resulted in losses in construction employment. The information sector also continued to decline losing an average of 1,600 jobs, or 3.5 percent each year. By the end of 2010, as a result of both recessions, the information sector had lost one-third of the number of jobs that were in the sector in 2000.

The economic recovery from the most recent recession has been robust and, in 2013, the number of jobs surpassed the previous peak of 1.25 million jobs in 2008. From 2011 through 2017, nonfarm payrolls in the Denver HMA sustained 2.9 percent average annual gains, compared with an average annual increase of 1.7 percent nationally. All payroll sectors contributed to the growth. The largest gain in jobs in the HMA was in the professional and business services sector, which added an average of 8,400 jobs, or 3.7 percent, a year. Job growth in the Denver HMA has slowed slightly during the past year, however, with nonfarm payrolls increasing by 33,500 jobs, or 2.3 percent during the 12 months ending June 2018, to 1.48 million jobs (Table 2).

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Denver HMA, by Sector

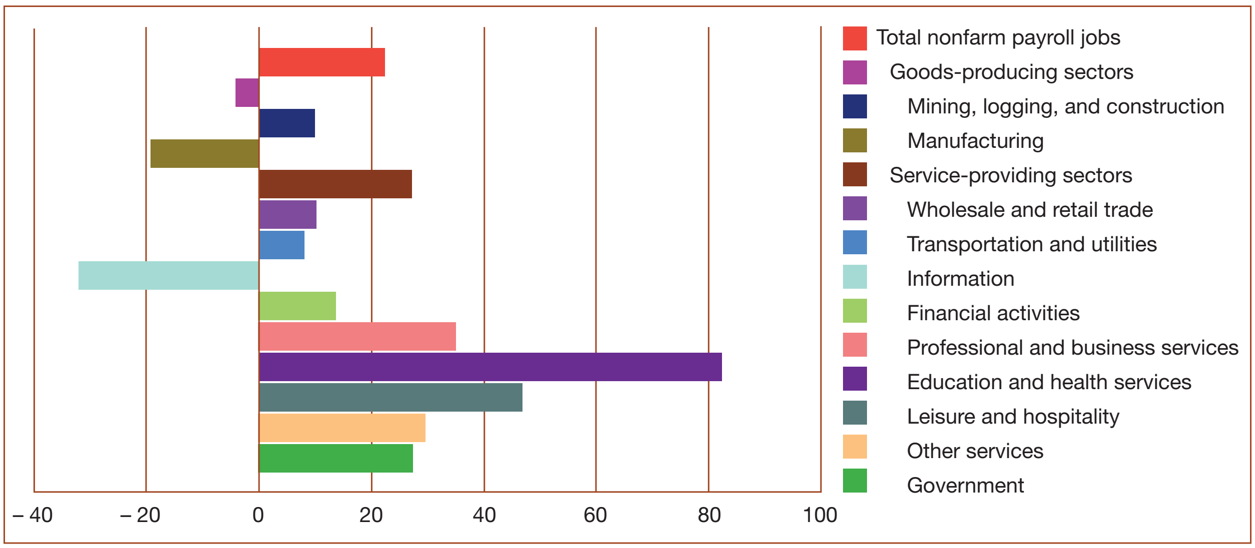
	12 Months Ending		Absolute Change	Percent Change
	June 2017	June 2018		
Total nonfarm payroll jobs	1,447,700	1,481,200	33,500	2.3
Goods-producing sectors	168,100	175,100	7,000	4.2
Mining, logging, and construction	99,100	104,900	5,800	5.9
Manufacturing	69,000	70,200	1,200	1.7
Service-providing sectors	1,279,700	1,306,200	26,500	2.1
Wholesale and retail trade	209,400	212,500	3,100	1.5
Transportation and utilities	55,300	57,600	2,300	4.2
Information	46,800	48,800	2,000	4.3
Financial activities	107,600	109,200	1,600	1.5
Professional and business services	260,300	267,500	7,200	2.8
Education and health services	183,200	186,800	3,600	2.0
Leisure and hospitality	163,700	170,000	6,300	3.8
Other services	56,500	56,700	200	0.4
Government	197,000	197,200	200	0.1

Notes: Numbers may not add to totals because of rounding. : Based on 12-month averages through June 2017 and June 2018.

Source: U.S. Bureau of Labor Statistics

The education and health services sector is a stable source of job growth in the Denver HMA. Payrolls in the sector increased 82 percent since 2000, and it is the only sector that increased every year despite the two economic recessions during the period. Figure 2 shows sector growth in the Denver HMA since 2000. Four of the largest employers in the HMA are in the education and health services sector, including the largest private employer, HCA Healthcare (locally known as HealthONE), with 9,000 employees (Table 3). Employment in the healthcare and social assistance industry comprises more than 85 percent of sector payrolls. During the 12 months ending June 2018, the education and health services sector averaged 186,800 jobs, up 3,600 jobs, or 2.0 percent from the previous 12-month period. Urgent care centers and standalone emergency rooms have opened in several communities in recent years, including the HealthOne CareNow Urgent Care in the Stapleton neighborhood, which opened in October 2017.

Figure 2. Sector Growth in the Denver HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through June 2018.
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Denver HMA

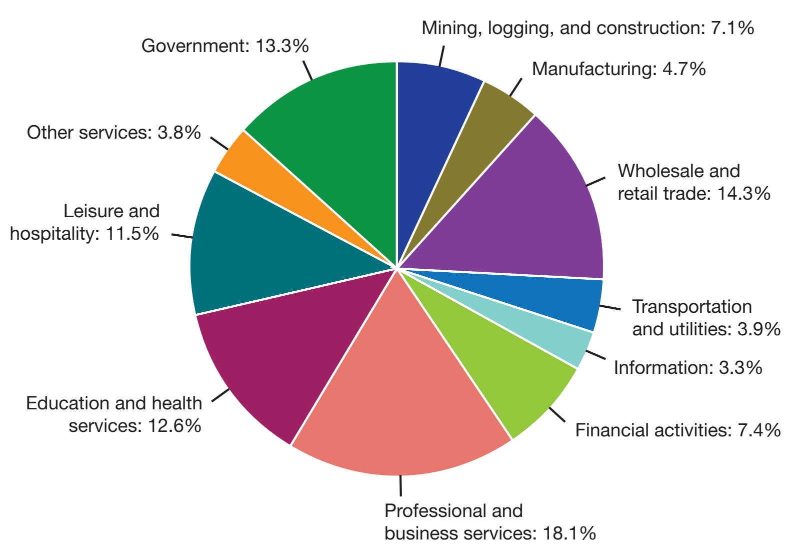
Name of Employer	Nonfarm Payroll Sector	Number of Employees
HCA Healthcare (HealthONE)	Education and health services	9,000
UCHealth System	Government	8,300
CenturyLink, Inc.	Professional and business services	7,740
United Airlines, Inc.	Transportation and utilities	6,050
Kaiser Foundation Health Plan, Inc.	Education and health services	5,970
Children’s Hospital Colorado	Education and health services	5,890
Lockheed Martin Corporation	Manufacturing	5,640
Comcast Corporation	Professional and business services	5,110
Centura Health Corporation	Education and health services	4,990
Charles Schwab Corporation	Financial activities	4,200

Note: Excludes retail, public administration, and local school districts.
Source: Metro Denver Economic Development Corporation, May 2018

The professional and business services sector is the largest sector in the HMA, accounting for 18 percent of nonfarm payrolls (Figure 3). The share of payrolls attributable to the sector has increased slightly from 16 percent in 2000. Despite sharp declines during both recessions, the sector led gains during the economic expansions. Jobs in the sector increased by an average of 7,200 jobs, or 2.8 percent, during the past year, to an average of 267,500 jobs during the 12 months ending June 2018—the largest absolute increase in the HMA.

Government is a significant presence in the HMA because the city of Denver is the state capital, and the HMA is a regional center for numerous federal government agencies. During the 12 months ending June 2018, government payrolls increased by 200 jobs, or 0.1 percent, to 197,200. Approximately 45,100 state employees work in the HMA, including 8,300 at the University of Colorado Health System (UCHealth). The Denver Federal Center is in the city of Lakewood in Jefferson County and houses 28 federal agencies. Partially offsetting sector gains, federal payrolls decreased by 400 jobs, or 1.4 percent, during the past 12 months, to 28,300 jobs.

Figure 3. Current Nonfarm Payroll Jobs in the Denver HMA, by Sector



Note: Based on 12-month averages through June 2018.
Source: U.S. Bureau of Labor Statistics

The mining, logging, and construction sector had the fastest growth in employment during the 12 months ending June 2018, as measured by percentage change. Sector payrolls increased by an average of 5,800 jobs, or 5.9 percent, compared with the previous 12-month period. Nearly 90 percent of sector payrolls are in the construction subsector. Builders have reported difficulties finding adequate skilled labor for residential construction but also reported that some small business builders that left the industry during the last recession and housing crisis are beginning to return to the market. From 2010 through 2017, the number of single-family and multifamily general contractors increased an average of 9.3 and 5.7 percent a year, respectively (Bureau of Labor Statistics Quarterly Census of Employment and Wages). The demand for homebuilders has led to stronger wage growth. From 2010 through 2017, new single-family and multifamily general contractors had an average annual wage increase of 4.4 and 6.0 percent, respectively, compared with 3.6 percent for all construction employees, and 2.6 percent average annual wage gains among all covered employees. In addition to residential construction, major nonresidential projects in the HMA include expanding the light rail transit system. Beginning with two lines in the Southeast submarket opening in 2000 and 2006, from 2013 to 2016, three lines were added connecting cities in the Northwest submarket and the airport to downtown Denver. An additional line in the Northwest submarket as well as extensions of existing lines in all submarkets are currently underway.

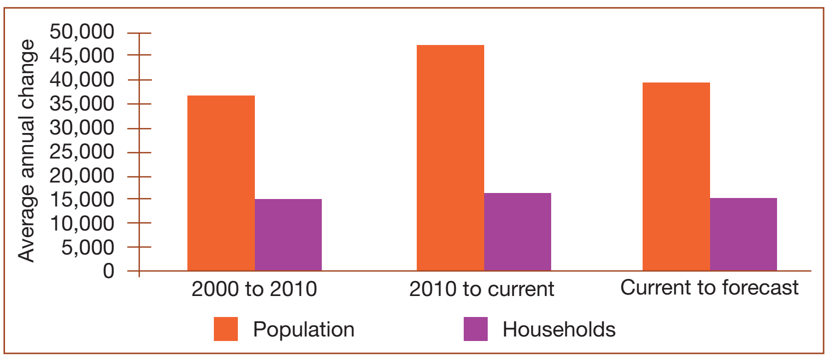
Within each submarket of the HMA are clusters of employment centers. In the Denver County submarket, the largest concentration is in downtown Denver, with 130,200 jobs (Downtown Denver Partnership), including corporate offices and government offices. In addition, approximately 35,000 people work at the Denver International Airport (Denver International Airport). The airport is the fifth busiest in the nation, and the entry point for many visitors heading to the Rocky Mountains. In the Southeast submarket, jobs are concentrated in the Denver Tech Center and a corridor of business parks, primarily along Interstate 25 from Denver to the city of Lone Tree. Jobs in this corridor number more than 230,000, and include financial services, telecommunications, and business services (Denver South Economic Development Partnership). Six of the ten Fortune 500 companies in Colorado are within this area. Jobs in the Northwest submarket are split into two main areas: The Denver Federal Center and the adjacent St. Anthony Medical Campus, part of Centura Health, with a combined 8,200 jobs, and the Interlocken Business Park in the city of Broomfield, with more than 16,000 employees (U.S. General Services Administration, Metro Denver Economic Development Corporation, and Broomfield Economic Development). Jobs in Interlocken include software development, high-tech manufacturing, and aerospace manufacturing.

During the next 3 years, nonfarm payrolls are expected to increase by an average of 30,100 jobs, or 2.0 percent a year. The professional and business services, the education and health services, and the mining, logging, and construction sectors are expected to contribute to job growth. KPMG LLP, a professional services company that provides financial audit, tax, and advisory services, is expanding in the Denver metropolitan area, adding 200 jobs during the next year. The education and health services sector is expected to continue broad growth to meet the needs of the growing population. In addition to demand for construction workers for residential building, several large non-residential projects are underway or expected to begin during the forecast. The $530 million Gaylord Rockies Resort and Convention Center is underway in Adams County, near the airport, and expected to open in late 2018 with 1,500 hotel rooms, an indoor water park, and a convention center. The airport also has several construction projects underway, including expanding concourse terminals to increase the number of gates; construction is expected to last approximately 5 years. The National Western Complex, an agriculture-related exposition hall, arena, and entertainment venue, will be renovated in a $1.1 billion project to begin in 2019 and be complete in 2024. Nearby, the Central 70 project will begin in July 2018, to rebuild and expand a 10-mile stretch of Interstate 70 in the northern part of the city of Denver. The project is expected to be complete in 2022.

Population and Households

The population of the Denver HMA is currently estimated at 2.93 million, an average annual increase of 46,850, or 1.7 percent a year since 2010. Population growth was moderate at the beginning of the decade, but then accelerated as the economy expanded prior to the second recession. From 2000 to 2005, which included the recession that resulted from the dot.com bubble and the initial recovery, the population increased an average of 1.3 percent a year, largely a result of net natural change (resident birth minus resident deaths) which comprised nearly 80 percent of population growth (Census Bureau decennial census counts and population estimates as of July 1). Net migration averaged 6,150 people a year during the period. As the economy strengthened, net migration increased to an average annual level of 20,450, and from 2005 to 2008, the population increased by an average of 43,750 a year, or 1.8 percent. Net migration accounted for 47 percent of population growth. During the more recent recession, population growth remained strong, in part because the recession was more severe in other parts of the country. The population increased by an average of 45,450 annually, or 1.8 percent, from 2008 to 2010, and net in-migration increased to 51 percent of population growth, averaging 23,150 a year. Population growth has continued since 2010, but has eased somewhat in recent years as net in-migration slowed (Figures 4 and 5). From 2010 to 2015, the population increased by an average of 50,250 a year, or 1.9 percent, and an average of 31,700 people, or 63 percent of the total, was from net in-migration. Since 2015, population growth slowed to 40,900 people a year, or 1.4 percent. Net in-migration as a share of population growth decreased only slightly, comprising 58 percent of population growth, but the number decreased to average 23,550 people a year. As economic conditions strengthened in other areas in the country, fewer people moved to the Denver HMA for jobs, and rapidly increasing housing costs making the Denver HMA relatively more expensive than some other metropolitan areas may be deterring some movers.

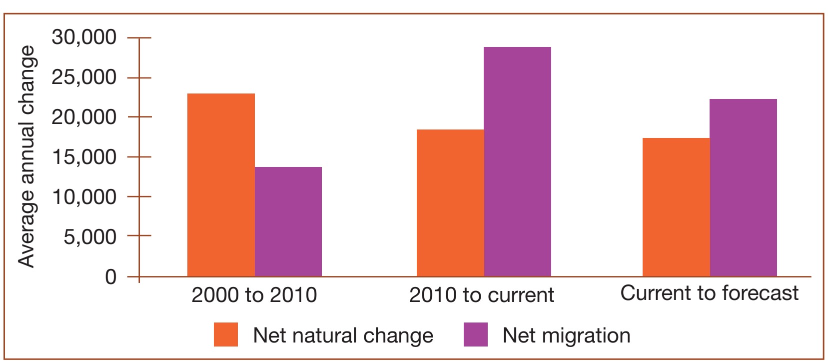
Figure 4. Population and Household Growth in the Denver HMA, 2000 to Forecast



Notes: The current date is July 1, 2018. The forecast date is July 1, 2021.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Components of Population Change in the Denver HMA, 2000 to Forecast



Notes:The current date is July 1, 2018. The forecast date is July 1, 2021.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

In the Denver County submarket, the population is currently estimated at 716,900, which is nearly 25 percent of the HMA population, and is up an average of 2.2 percent a year since 2010, compared with an average annual increase of 0.8 percent during the previous decade. Growth during the latter half of the decade offset declines during the first half. The submarket had declining population averaging 560 people per year, or less than 1 percent, resulting from average net out-migration of 6,825 people from 2000 to 2005, in part because people left in search of jobs, but also because many moved to the suburbs, especially to the Southeast submarket, where the new transit lines connected residential areas to job centers in the Denver County submarket. Net migration reversed to average 4,150 in-migrants a year from 2005 to 2010 as jobs returned and people increasingly wanted to live downtown again, and annual population growth surged to 10,200 or 1.8 percent during the second half of the decade. However, population growth is slowing in the submarket as housing in the Denver County submarket becomes increasingly expensive relative to the rest of the HMA, and the opening of the transit lines in the Northwest submarket provides more affordable housing options to commuters. The average home price in the Denver County submarket was about 24 percent higher than the Northwest submarket, and 11 percent higher than the Southeast submarket.

The Northwest submarket is the largest submarket in the HMA, comprising about 40 percent of the population, with an estimated population of 1.19 million, reflecting an average annual increase of 1.4 percent since 2010 compared with 1.2 percent a year during the previous decade. In part because the submarket includes some of the more affordable areas of the HMA, and also because the new transit lines improved connectivity to the other areas of the HMA, migration has increased into the submarket since 2010.

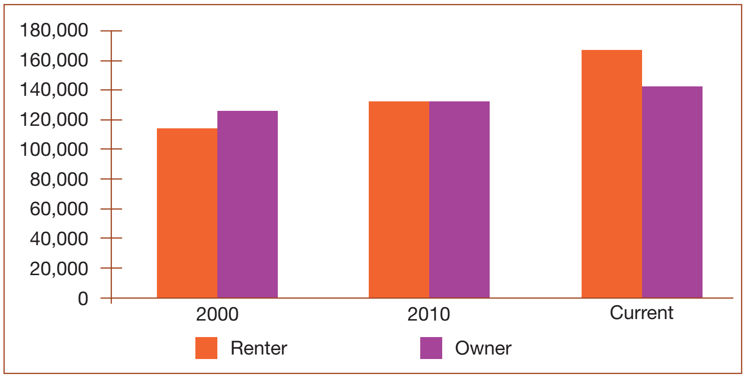
The Southeast submarket sustains the largest share of net in-migration compared to the other two submarkets. However, the share has slowed somewhat as migration increased to other areas, particularly in the Northwest submarket since 2010. Currently, 1.02 million people reside in the Southeast submarket, an average annual increase of 1.8 a year since 2010, accounting for 35 percent of the HMA population. From 2000 to 2010, the population increased an average of 2.6 percent a year, and the new light rail lines contributed to the strong population growth especially at the start of the decade.

Household growth in the HMA and submarkets follow trends similar to population growth trends. Currently, an estimated 1.14 million households reside in the Denver HMA, an increase of 1.5 percent, or 16,050, a year since 2010. The Denver County submarket has a slightly larger share of households in the HMA, compared with its share of population, accounting for 27 percent of all households in the HMA, because the average household size is smaller due to a higher percentage of renters and smaller homes. An estimated 307,700 households are in Denver County, up an average of 1.5 percent a year since 2010 compared with average annual growth of 1.7 percent from 2000 to 2010. Approximately 54 percent of households in the Denver County submarket are renters

(Figure 6). An estimated 449,300 households are in the Northwest submarket, which represents 40 percent of the households in the HMA. The number of households increased an average of 1.2 percent annually since 2010 and 1.4 percent from 2000 to 2010. Nearly 34 percent of the households in this submarket are renters (Figure 7). The remaining 33 percent of households reside in the Southeast submarket, which currently has an estimated 380,300 households. The number of households increased an average of 1.6 percent a year since 2010, notably slower than the average of 2.6 percent during the period of robust population growth from 2000 to 2010. The 67.4-percent homeownership rate in this submarket is the highest in the HMA, with fewer than 33 percent of the households renting their home, slightly below the Northwest submarket (Figure 8). Table DP-1 at the end of this report has additional data about the Denver HMA.

During the 3-year forecast, the population and number of households in the HMA are expected to increase an average of 39,350 and 15,250 a year, respectively, or 1.3 percent each, to nearly 3.05 million people and 1.18 million households. An estimated 25 percent of the population will live in the Denver County Submarket, 40 percent in the Northwest submarket, and 35 percent in the Southeast Submarket. In the Denver County submarket, the population and number of households will increase an average of 1.6 and 1.5 percent a year, respectively. Both population and the number households are expected to increase by an average of 1.1 percent a year in the Northwest submarket and 1.4 percent a year in the Southeast submarket. The Southeast submarket will retain the largest increase from net in-migration, but only slightly more than the Northwest submarket; net in-migration to the Northwest submarket is expected to gradually increase, reflecting the increased transportation options and relatively lower housing costs.

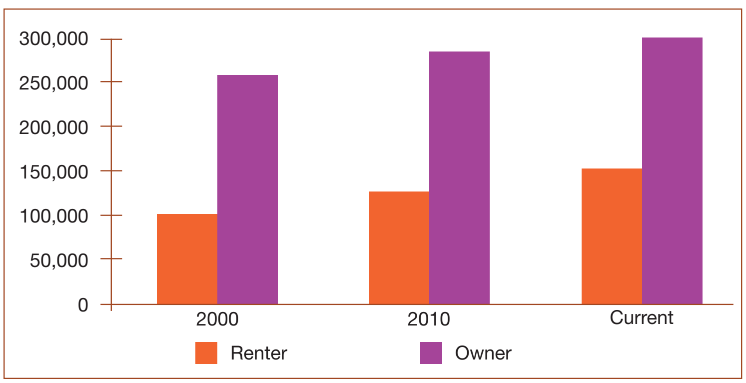
Figure 6. Number of Households by Tenure in the Denver County Submarket, 2000 to Current



Note: The current date is July 1, 2018.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

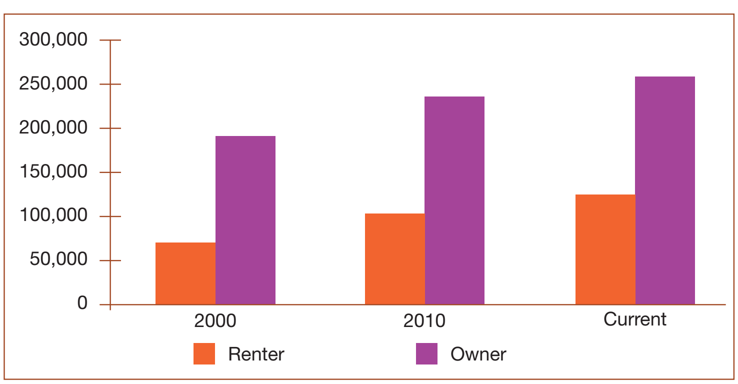
Figure 7. Number of Households by Tenure in the Northwest Submarket, 2000 to Current



Note: The current date is July 1, 2018.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 8. Number of Households by Tenure in the Southeast Submarket, 2000 to Current



Note: The current date is July 1, 2018.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Housing Market Trends

Sales Market—Denver County Submarket

The Denver County home sales market is currently slightly tight, with an estimated 0.6-percent vacancy rate. The submarket had a 1.6-month supply of homes listed for sale as of June 2018, down from a 2.0-month supply a year earlier (Colorado Association of Realtors®, with adjustments by the analyst). The months of supply in the submarket is the lowest in the HMA. Demand for for-sale housing is split between condominiums and single-family homes in the Denver County submarket because of land constraints and increased population density. More than 40 percent of new and existing homes sold in the submarket since 2017 were condominiums, nearly double the share of condominium sales in the other submarkets (Colorado Association of Realtors®). Approximately 24 percent of all homes sold in the Denver HMA are in the Denver County submarket.

The sales of existing single-family homes, townhomes, and condominiums in the Denver County submarket have declined for the second consecutive year, despite strong demand, because inventory levels remain low. During the 12 months ending May 2018, 15,350 existing homes sold, down 1 percent from the previous 12-month period, and essentially the same as the decline in sales from the 12 months ending May 2016 to the same period of 2017 (CoreLogic, Inc., with adjustments by the analyst).

Because of weak economic conditions and slow population growth in the HMA following the bursting of the dot.com bubble, existing home sales in the Denver County submarket declined an average of 5 percent a year from 2001 through 2003 to 13,150 homes sold. Home sales rebounded in 2004 and 2005 but the recovery was short-lived. The number of existing homes sold increased an average of 8 percent a year to 15,350 homes sold in 2005. Subsequently, as the housing market weakened, demand for existing homes decreased and foreclosures increased. From 2006 through 2010, home sales decreased an average of 8 percent a year, to a low of 10,100 homes sold in 2010. Consumer confidence increased with the improving job market, and access to credit returned, leading to increased demand for homes following the Great Recession. From 2011 through 2015, existing home sales increased an average of 9 percent a year to a peak of 15,700 homes sold.

Existing home sales prices in the Denver County submarket are the highest in the HMA. The average price of an existing home was $474,100 during the 12 months ending May 2018, up 10 percent from a year earlier. From 2007 through 2009, home prices declined an average of 7 percent a year, but strong demand for housing as net in-migration increased pushed prices up beginning in 2010. The home value lost during the period was essentially recovered by the end of 2012, and from 2010 through 2016, the average price of a home increased 9 percent a year, to $417,100. Virtually all condominium sales in the submarket and the HMA are existing sales because of limited new condominium construction since 2008.

The share of seriously delinquent mortgages (90 or more days delinquent or in foreclosure) and real estate owned (REO) properties in the Denver County submarket is the lowest in the HMA. In May 2018, 0.4 percent of home loans were seriously delinquent, or had transitioned into REO status, down from 0.6 percent a year earlier (CoreLogic, Inc.). The current rate is similar to the rate during 2000, prior to both recent national recessions. Mortgages in the Denver County submarket with this status peaked at 6.1 percent in January 2010, below the national peak of 8.6 percent in February 2010, and the current rate in the HMA is well below the national rate of 2.0 percent. The Denver County submarket had the most pronounced recovery in the HMA, having peaked at the highest rate among all the submarkets in the HMA in 2010 during the foreclosure crisis, and now having the lowest rate.

Demand is strong for new homes in the Denver County submarket. Approximately 1,575 new homes sold during the 12 months ending May 2018, up 24 percent from a year earlier. More than 45 percent of the new homes sold were in the Stapleton subdivision (discussed below) which is nearing build-out. During the past decade, new home sales in the submarket have fluctuated, depending heavily on availability of developable lots, because condominium construction has been very limited since 2007. From 2006 through 2011, new home sales decreased an average of 18 percent a year, to 910 homes sold. Demand for new homes has since increased, in part because strong demand in the existing home sales market drove up the price of existing homes, and the sale of new homes increased an average of 9 percent, annually, from 2012 through 2016, to 1,425 homes sold.

From 2006 through 2009, the average price of a new home was $363,900, about 40 percent higher than that of an existing home, in part because increasing foreclosures lowered the average price of existing homes. The sale of REO and short sales comprised 25 percent of existing home sales from 2006 through 2009, and their average price was less than half the price of regular resale homes (CoreLogic, Inc. with adjustments by the analyst). As the price of existing homes increased, however, demand for new homes also increased because the price differential narrowed. The price of a new home averaged $484,700 from 2013 through 2016, but the price differential from existing homes was down to 30 percent. During the 12 months ending May 2018, the average price of a new home was $514,800, down 3 percent from a year earlier, only 9 percent higher than the average price of an existing home.

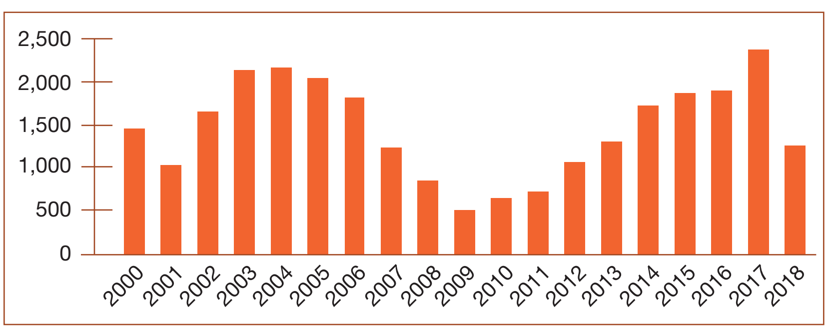
Homebuilding activity was unchanged during the past year, as measured by the number of single-family homes permitted. Approximately 2,650 homes were permitted during the 12 months ending June 2018, virtually the same as the previous 12-month period (preliminary data with adjustments by the analyst). Single-family permitting in the submarket is at the highest level since before 2000. From 2000 through 2005, an average of 1,725 homes were permitted, despite net out-migration from the submarket, leading the market to be somewhat overbuilt. Builders responded by decreasing single-family permitting even as net in-migration returned, and the population increased at a faster rate. From 2006 through 2009, permits decreased an average of 30 percent, or by 390 homes a year. Beginning in 2010, home construction increased an average of 25 percent a year, to an average of 1,875 homes permitted in 2015 and 2016. During this period of economic recovery and expansion, population growth accelerated, excess homes were absorbed in the market, and the demand for additional homes increased. Figure 9 shows single-family homes permitted in the submarket since 2000.

The largest subdivision for single-family construction in the Denver County submarket is Stapleton. Stapleton is a master-planned community that began construction in 2001 on the former Stapleton airport property. Stapleton was the 10th largest master-planned community in the United States, selling about 750 new homes during 2017. The last 1,300 lots will be available for development in the third quarter of 2018, however, and the community is estimated to be built out during the next 3 years. A new two-bedroom, 900-square-foot single-family detached home in the Stapleton community starts at approximately $334,500, and a two-bedroom townhome starts at $166,500.

Condominium construction in the Denver County submarket has been increasing since 2016 but remains subdued compared with construction prior to the Great Recession and housing crisis. From 2000 through 2007, an average of 1,050 units were built each year, but plummeted to an average of 70 units annually from 2008 through 2015. Since 2008, nearly 60 percent of condominium construction in the HMA has been in the Denver County submarket, compared with 35 percent from 2000 through 2007. Developers have been reportedly avoiding building condominiums because of concerns over potential construction defects litigation, spawned by a state law revised in 2007. In 2017, the law was revised again with the intent to encourage condominium construction; it is still too early to tell if builders will continue the recent increase in condominium construction in response to the legislation.

Currently, nearly 900 condominium units are under way in the submarket. More than half of the condominium units built since 2016, however, are limited to two projects, the 334-unit Coloradan and the 206-unit Lakehouse at Sloan's Lake. The Coloradan, in downtown Denver near Union Station, is the largest condominium development built in the HMA since 2007. Construction began during the first quarter of 2016 and is expected to be complete by the end of 2018. Thirty-three units are restricted to households earning less than 95 percent of the area median income, and the remaining 301 units are market-rate. Approximately 285 units, nearly 90 percent of the project, have been reserved; the remaining units start at $550,000 for a one-bedroom unit, $725,000 for a two-bedroom unit, and $965,000 for a three-bedroom unit. Lakehouse at Sloan's Lake is expected to be complete in late summer 2019 and is currently pre-selling homes. The

Figure 9. Single-Family Homes Permitted in the Denver County Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through June 2018.

Source: U.S. Census Bureau, Building Permits Survey; 2000–2016 final data and analyst estimates; 2017–2018 preliminary data and analyst estimates one-, two-, and three-bedroom units range from about $500,000 to $3.3 million. Approximately 20 percent of the units have been reserved.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Denver County Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
155,000	249,999	440	7.0
250,000	349,999	1,000	16.0
350,000	449,999	1,450	23.0
450,000	649,999	2,325	37.0
650,000	849,999	630	10.0
850,000	and higher	440	7.0

Notes: Numbers may not add to totals because of rounding. The 1,100 homes currently under construction in the submarket will likely satisfy some of the forecast demand.

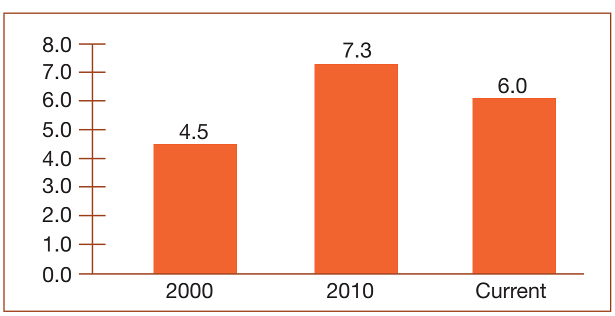
Source: Estimates by analyst

During the next 3 years, demand is estimated for 6,275 new homes (Table 1). The 1,100 homes currently under construction will meet a portion of demand in the first year. Table 4 shows estimated demand for new single-family housing by price range. Land constraints limit the availability of developable land within the submarket, leaving much of the future single-family development in the submarket to higher density, smaller plots of land and infill development. Table DP-2 at the end of this report shows additional data about the Denver County submarket.

Rental Market—Denver County Submarket

Rental market conditions in the Denver County submarket are currently balanced, with an overall estimated rental vacancy rate of 6.0 percent, compared with 7.3 percent in April 2010 when the market was soft, and 4.5 percent in April 2000 when the market was slightly tight (Figure 10). Fifty-four percent of households in the submarket are renter households, and approximately 64 percent of the renter households live in buildings with five or more units, including condominium units for rent, but typically apartments (2016 1-year American Community Survey [ACS] estimates). Approximately 28 percent live in single-family homes for rent, and the remaining 8 percent of renter households live in multifamily buildings with two to four units or mobile homes.

Figure 10. Rental Vacancy Rates in the Denver County Submarket, 2000 to Current



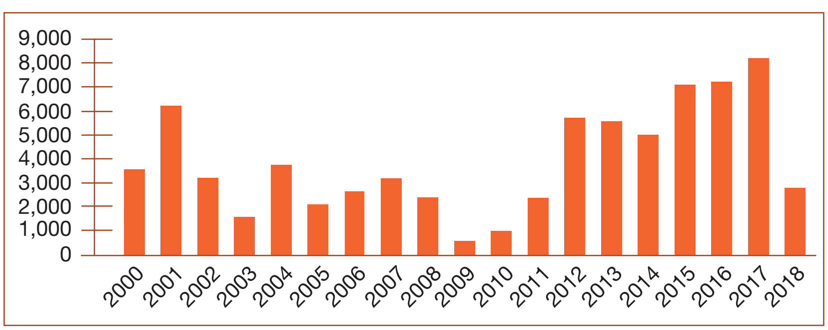
Note: The current date is July 1, 2018.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Increased apartment construction since 2012 has led to many units in lease-up. Consequently, the average vacancy rate among all apartments, including those with stabilized occupancy and those in lease-up during the second quarter of 2018, was 11.9 percent, essentially unchanged from the 12.0-percent rate a year earlier *(Apartment Insights)*. Demand has been strong for apartments, however, and the vacancy rate among only stabilized properties was 5.1 percent, essentially unchanged from 5.0 percent a year earlier. The average rent increased 4 percent to $1,345. By comparison, from 2011 to 2016, the rent increased an average of 8 percent a year. Part of the reason rent growth was so strong was because many of the new units were luxury apartments with high-end finishes and amenities and charged premium rents.

Multifamily construction in the Denver County submarket was subdued during the 2000 decade. From 2000 through 2007, an average of 3,225 units were permitted each year. Figure 11 shows multifamily units permitted in the Denver County submarket. An excess supply of vacant units during the first half of the period, when job losses and net out-migration prevailed, offset the need for more units built during the second half, when population growth was stronger; therefore, construction did not increase. Approximately 36 percent of multifamily units built during this time were for condominiums, an average of 1,050 condominium units a year. From 2008 through 2009, during the national recession, multifamily construction declined an average of 1,300 units, or 60 percent, a year, to 500 units permitted. Subsequently, from 2010 through 2012, multifamily construction increased by an average of 1,725 units a year, or 125 percent, and then averaged 5,375 units from 2012 through 2014. As economic growth accelerated, multifamily construction surged 39 percent to an average of 7,475 units from 2015 through 2017. From 2008 through 2015, condominiums comprised less than 2 percent of multifamily construction, averaging 50 units a year. During the 12 months ending June 2018, approximately 6,550 units were permitted, down nearly 9 percent from the previous year, in part because of the slower rent growth during the past year (preliminary data with adjustments by the analyst). Since 2016, condominium construction has increased, comprising nearly 6 percent of multifamily construction, averaging 360 units a year, but remains well below the levels from averaged from 2000 through 2007. The 508-unit The Grand Apartments in downtown Denver opened in June 2018 and is 17-percent occupied. Pre-leasing began in late 2017, with rents for the studio, one-, two-, and three-bedroom units starting at $1,600, $1,995, $2,820, and $3,350, respectively, a month. The 97-unit Economist Apartments, between the Capitol Hill and City Park neighborhoods, will open in July 2018, with rents for the studio and one-bedroom units starting at about $1,000 and $1,500, respectively.

Figure 11. Multifamily Units Permitted in the Denver County Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through June 2018.

Source: U.S. Census Bureau, Building Permits Survey; 2000–2016 final data and analyst estimates; 2017–2018 preliminary data and analyst estimates

During the next 3 years, demand is estimated for 10,850 new market-rate apartments, including the 8,000 units already under construction (Table 1). An additional 510 units are in planning and expected to be completed during the forecast. New projects should be timed to enter the market in about 2.5 years, to allow for the absorption of the units already underway. Table 5 shows estimated demand for new market rate housing in the Denver County submarket by unit type and rent level.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Denver County Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand
1,000 to 1,199	870	1,200 to 1,399	2,250	1,400 to 1,599	1,300	1,900 to 2,099	85
1,200 or more	870	1,400 to 1,599	1,400	1,600 to 1,799	650	2,100 to 2,299	65
		1,600 to 1,799	1,400	1,800 to 1,999	650	2,300 to 2,499	45
		1,800 or more	560	2,000 or more	650	2,500 or more	20
Total	1,725	Total	5,650	Total	3,250	Total	220

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 8,000 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Sales Market—Northwest Submarket

The home sales market in the Northwest submarket is currently slightly tight with an estimated 1.0-percent sales vacancy rate, down from 1.9 percent in 2010. The submarket had a 1.8-month supply of active home listings as of June 2018, down from a 2.0-month supply a year earlier (Colorado Association of Realtors®, with adjustments by the analyst). The months of supply is the same as in the Southeast submarket, and slightly higher than in the Denver County submarket. Because this is the most populous submarket in the HMA, it also comprises the largest share of home sales, accounting for 40 percent of all homes sold in the HMA.

Existing home sales, including single-family homes, townhomes, and condominiums, in the submarket declined during the past year because the tight market conditions and limited for-sale inventory has made it difficult for buyers. During the 12 months ending May 2018, 24,300 homes sold, down nearly 4 percent from the previous 12-month period (CoreLogic Inc., with adjustments by the analyst). From 2000 through 2011, home sales declined an average of 5 percent a year, from 26,750 homes sold to nearly 15,500 in 2011. Existing home sales declined in part because of economic uncertainty during the 2000s. As the economy expanded and access to financing improved demand for housing also increased. Increased net in-migration since 2011 also contributed to growth in the demand for home sales. From 2012 through 2015, sales increased an average of 13 percent a year to nearly 25,600 homes sold. Low levels of for-sale inventory contributed to declines of 2 percent a year since 2015 despite strong job and population growth in the submarket.

The average price of an existing home continues to increase. During the 12 months ending May 2018, the average price of a home increased 9 percent from a year earlier to $383,800. Previously, home prices peaked in 2005 at $248,500, before decreasing an average of nearly 5 percent a year to $206,500 in 2009. Strong demand for homes following the recovery of jobs and increased net in-migration into the submarket beginning in 2010 pushed sales prices up an average of nearly 8 percent a year to $368,450 in 2017.

The share of seriously delinquent mortgages and REO properties has decreased and is now similar to levels recorded in 2000. In May 2018, 0.5 percent of home loans were seriously delinquent, or had transitioned into REO status, down from 0.7 percent a year earlier (CoreLogic, Inc., with adjustments by the analyst). The most recent rate was slightly higher than in the Denver County submarket, but the same as in the Southeast submarket. Mortgages in the Northwest submarket with this status peaked at 5.6 percent in February 2010, which was the lowest in the HMA. The rate was higher than the peak of 5.2 percent for the state of Colorado, but has since decreased, and is now slightly below the rate of 0.6 percent for the state. The share of existing home sales that were REO or short sales peaked at 43 percent of sales in 2008, and remained elevated during the local economic downturn, averaging 36 percent of sales in 2009 and 2010. REO and short sales are currently 1 percent of existing sales in the submarket, which is the same as the rest of the HMA.

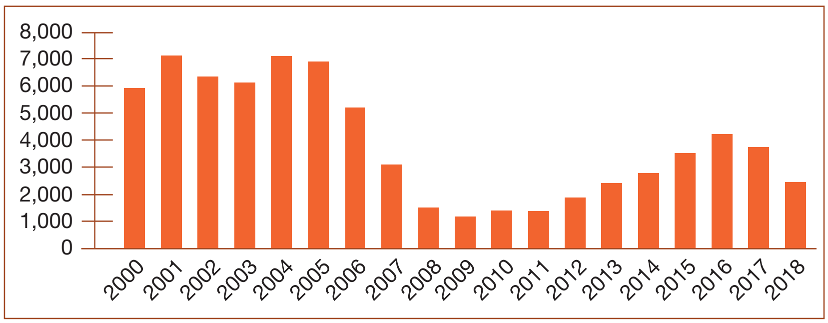
New home sales in the Northwest submarket are flat compared with a year ago, with 4,000 new homes sold. New homes comprise approximately 14 percent of homes sold in the submarket. Home sales are still below levels from the previous decade. A tight labor market among construction workers is making it difficult to significantly increase production, and homebuilding is taking longer to complete. More than one-half of the homes sold were in Adams County, in part because homes are relatively more affordable there yet still close to the job centers. From 2001 through 2005, an average of 6,374 new homes sold each year. Elevated new home sales were supported by the price of a new home being only approximately 20 percent more expensive than an existing home, which was relatively low compared with other periods. Beginning in 2006, the average price of existing homes declined faster than the average price of new home; therefore, demand shifted towards the relatively more affordable existing home. From 2006 through 2011, a period of economic uncertainty, new home sales decreased 23 percent a year to a low of 1,400 home sales. From 2008 through 2010, the price of a new home was more than 55 percent more expensive than an existing home, therefore demand for new homes slowed, as existing homes were considerably more affordable. Demand for new homes increased from 2011 through 2015, and sales increased an average of 21 percent a year to 3,050 homes sold, contributing to price appreciation, because of strong population growth and the desire to live near the new transit lines.

New homes in the Northwest submarket are more affordable than the rest of the Denver HMA because ample land is available for development and the homes built are smaller than those in the Southeast submarket. Within the submarket, homes are typically more affordable in Adams County, which is adjacent to the northern edge of the Denver County submarket, yet new home prices are approximately 12 percent cheaper than in Denver County, and 9 percent cheaper than new homes in the Northwest submarket overall. The average price of a new home in the Northwest submarket is $494,500, an increase of 1 percent from a year earlier. Price growth averaged 4 percent a year from 2002 through 2007, before decreasing an average of 2 percent a year in 2008 and 2009, to a low of $314,200. From 2010 through 2016, the average price of a new home increased 7 percent a year.

Single-family home construction in the Northwest submarket remains subdued despite strong population growth. From 2000 through 2005, an average of 6,550 homes were built each year (Figure 12). Beginning in 2006, homebuilding activity declined 36 percent a year to 2009 and averaged 1,275 homes from 2009 through 2011. During the weakening economic conditions demand for new homes decreased, because the price of an existing home averaged 25 percent less than the average price of a new home. Construction began to increase again, and from 2012 through 2016, the number of homes permitted increased 26 percent a year, to 4,225 homes. During the 12 months ending June 2018, 4,300 new homes were permitted, up from 4,025 a year earlier (preliminary data with adjustments by the analyst). Nearly 60 percent of home construction in the submarket during the past 12 months was in Adams County, which is historically one of the more affordable areas in the HMA, in part because of its location near the job centers in Broomfield and Denver and the new transit lines. Construction began in the Buffalo Highlands subdivision in Commerce City in Adams County during the fourth quarter of 2017. The first 20 homes closed during the second quarter of 2018, and an additional 50 are underway. An additional 92 lots are currently available with plans for nearly 740 more. The price of a 1,740-square-foot home with three bedrooms and two bathrooms starts at $368,000. In the city of Aurora, the Cottage Grove townhomes are nearing completion, and a two-bedroom home starts at $225,000.

During the next 3 years, demand is estimated for 10,750 additional new homes, including 500 mobile homes (Table 1). The 1,600 homes currently under construction will meet a port of the demand during the first year. Demand will be strongest in Adams County, because of access to transit and lower priced homes. Table 6 shows estimated demand for new sales housing in the submarket during the forecast period. Table DP-3 at the end of this report shows additional data about the Northwest submarket.

Figure 12. Single-Family Homes Permitted in the Northwest Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through June 2018.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Northwest Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
130,000	249,999	100	1.0
250,000	349,999	1,025	10.0
350,000	449,999	3,075	30.0
450,000	649,999	5,025	49.0
650,000	849,999	820	8.0
850,000	and higher	200	2.0

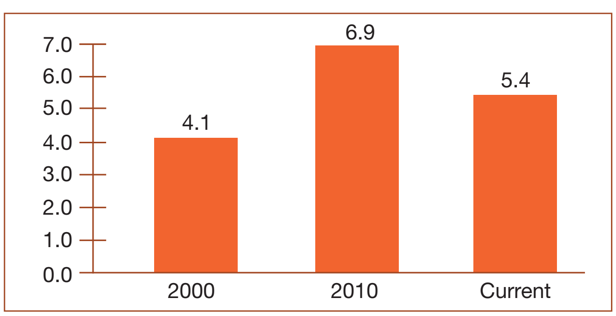
Notes: Numbers may not add to totals because of rounding. The 1,600 homes currently under construction in the submarket will likely satisfy some of the forecast demand. Demand for 500 mobile homes during the forecast period is excluded from this table.
Source: Estimates by analyst

Rental Market—Northwest Submarket

Rental market conditions in the Northwest submarket are currently balanced, with an estimated overall rental vacancy rate of 5.4 percent, down from 6.9 percent in 2010, when the market was slightly soft, and the lowest in the HMA (Figure 13). Approximately 35 percent of renters in the submarket live in single-family homes and townhomes, which is the highest percentage in the HMA. Nearly 53 percent of renters live in multifamily buildings with five or more units, typically apartments, and the remaining 12 percent live in smaller multifamily buildings, mobile homes, or other housing units (2012–2016 5-year ACS estimates).

Like the overall rental market, the vacancy rate for apartments is also the lowest in the HMA, and the apartment market is slightly tight. Because of fewer projects in lease-up in the Northwest submarket compared with the other submarkets in the HMA, the average vacancy rate among all apartments, including those with stabilized occupancy and those in lease-up during the second quarter of 2018, was 7.1 percent, down slightly from the 7.8 percent rate a year earlier *(Apartment Insights)*. Demand has been strong for apartments in the submarket, and the vacancy rate among only stabilized properties was 4.3 percent, essentially unchanged from 4.4 percent a year earlier. The average rent increased nearly 5 percent from a year ago to $1,306 during the second quarter of 2018. By comparison, from 2013 to 2017, the average rent increased 8 percent a year.

Figure 13. Rental Vacancy Rates in the Northwest Submarket, 2000 to Current

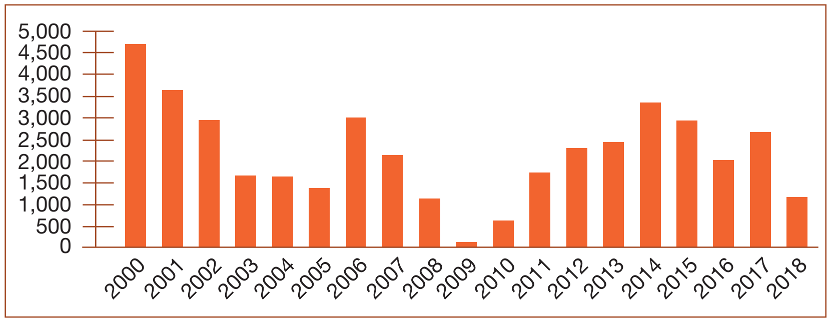


Note: The current date is July 1, 2018.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2016 final data and analyst estimates; 2017–2018 preliminary data and analyst estimates

Multifamily construction in the Northwest submarket is increasing, partially in response to the slightly tight apartment market conditions caused by the submarket capturing an increasing share of total net in-migration to the Denver HMA. From 2001 through 2005, the number of multifamily units permitted each year decreased by an average of 660 units, or 22 percent, annually. Approximately 28 percent of multifamily units built during this time were condominiums. Population growth accelerated, caused by an increase in net in-migration, and multifamily permits spiked to nearly 2,975 units in 2006. From 2007 through 2009, however, permitting declined by an average of 950 units, or 67 percent, a year, to 110 units permitted. Subsequently, multifamily construction increased an average of 650 units a year, to 3,350 units in 2014, as job growth returned and net in-migration into the submarket strengthened with the opening of the transit lines. From 2015 through 2017, multifamily permitting averaged 2,525 units a year. From 2008 through the current date, nearly all multifamily construction has been for apartments; condominium construction has been minimal, comprising less than 3 percent of multifamily construction. During the 12 months ending June 2018, approximately 2,450

Figure 14. Multifamily Units Permitted in the Northwest Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through June 2018.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2016 final data and analyst estimates; 2017–2018 preliminary data and analyst estimates

units were permitted, up 8 percent from the previous 12 months (preliminary data with adjustments by the analyst). Figure 14 shows multifamily permitting trends in the Northwest submarket since 2000.

The 352-unit Solana Olde Town Station Apartments in Arvada opened in summer 2017, and nearly 230 units are currently occupied. The unit mix includes one-, two-, and three-bedroom apartments, and rents start at $1,518, $1,853, and $2,622, respectively. The project is less than one-half mile from the Olde Town Arvada station, which will accommodate the G Line light rail line, which will soon connect the city of Arvada with downtown Denver. The 314-unit Timberline Farms opened in Arvada in June 2018, with rents for the one-, two-, and three-bedroom units starting at approximately $1,400, $1,700, and $2,375, respectively.

During the next 3 years, demand is estimated for 6,100 new market-rate units, including the 1,800 units already under construction (Table 1). In addition, 390 units are in planning and expected to be completed during the next 3 years. Therefore, new projects should be timed to enter the market during the second year of the forecast, to allow for the units already underway and in planning to be absorbed. Table 7 shows the estimated demand for new market-rate rental units in the Northwest submarket during the next 3 years.

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Northwest Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand
1,100 or more	60	1,200 to 1,399	1,675	1,300 to 1,499	1,150	1,600 to 1,799	150
		1,400 to 1,599	1,350	1,500 to 1,699	930	1,800 to 1,999	150
		1,600 or more	340	1,700 or more	230	2,000 or more	75
Total	60	Total	3,350	Total	2,325	Total	370

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 1,800 units currently under construction will likely satisfy some of the estimated demand.

Source: Estimates by analyst

Sales Market—Southeast Submarket

The home sales market in the Southeast submarket is currently slightly tight with an estimated vacancy rate of 0.6 percent, down from 2.1 percent in April 2010. The submarket had a 1.8-month supply of homes for sale as of June 2018, down from a 2.0-month supply a year earlier (Colorado Association of Realtors®, with adjustments by the analyst). The months of supply is the same as in the Northwest submarket, and slightly higher than the Denver County submarket. Approximately 36 percent of all homes sold in the HMA are in the Southeast Submarket.

The sale of existing single-family homes, townhomes, and condominiums decreased 5 percent during the past year to 22,150 homes sold, because of limited for-sale inventory. Despite the decline in the past year, the sale of existing homes has been robust since 2013, with an average of nearly 22,350 homes sold annually from 2013 through 2016 (CoreLogic, Inc., with adjustments by the analyst). Existing homes sales since 2013 are similar to the previous peak level of home sales since 2000. In 2005, home sales peaked at 22,150 homes sold, and then declined an average of nearly 9 percent a year to 14,200 homes sold in 2010. With the return of jobs and consumer confidence, home sales increased again in 2011 and 2012, up 15 percent a year.

The tight inventory and sustained demand for housing in the Southeast submarket has put pressure on home prices. During the 12 months ending May 2018, the average price of an existing home increased 9 percent from a year earlier to $427,100. Prior to the national recession, the average price of an existing home in the market averaged $300,600 in 2006, before decreasing an average of 3 percent a year to $260,000 in 2011, which was the slowest rate of decline among all submarkets in the HMA. The average existing home sales price increased an average of 8 percent a year to $376,900 in 2016.

The share of seriously delinquent mortgages and REO properties has decreased as the housing market recovers and is now similar to the levels recorded in 2000. In May 2018, 0.5 percent of home loans were seriously delinquent, or had transitioned into REO status, down from 0.7 percent a year earlier (CoreLogic, Inc., with adjustments by the analyst). The most recent rate was slightly higher than in the Denver County submarket, but the same as in the Northeast submarket. Mortgages in the Southeast submarket with this status peaked at 5.7 percent in February 2010, which was slightly higher than the Northwest submarket but below the Denver County submarket. In 2010, REO and short sales comprised 36 percent of existing home sales, and the average price was 33 percent below the average regular resale price of $306,900, putting downward pressure on the average existing sales price.

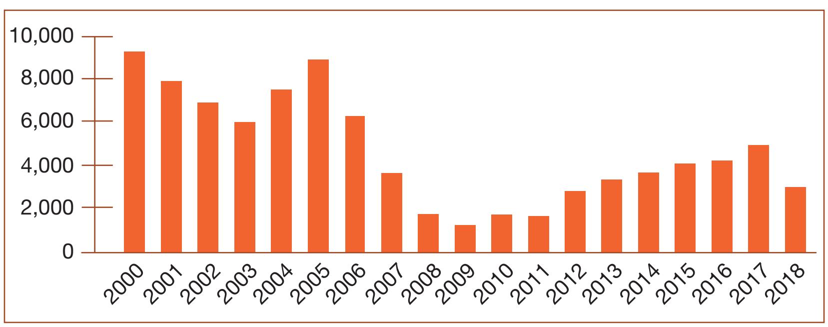
Low lot supply and construction labor shortages reported by builders are contributing to stagnant growth in new home sales in the HMA, and the Southeast submarket is no exception. The number of new homes sold in the Southeast submarket during the 12 months ending May 2018 is essentially unchanged from a year earlier, with 3,800 homes sold. An average of 7,750 new homes sold from 2001 through 2005, before decreasing to 1,600 homes sold in 2011. A large number of new homes were sold in the early part of the 2000s because net in-migration in the submarket was strong, in part because of the opening of the light rail transit. From 2012 through 2016, new home sales increased an average of 18 percent a year to 3,650 homes sold. New home sales increased as consumer confidence returned with the expanding job market, access to lending improved, and net in-migration into the submarket was strong.

The average price of a new home in the Southeast submarket is the highest in the HMA. The price of a new home in the Southeast submarket averaged $532,200 during the 12 months ending May 2017, up 2 percent from a year earlier. Prior to the national recession, the average price of a new home peaked at $419,300 in 2007. Following a low of $349,900 in 2011, the average price of a new home increased at an average annual rate of 8 percent to $509,000 in 2016.

Single-family homebuilding activity increased 18 percent during the 12 months ending June 2018, to approximately 5,400 homes (preliminary data with adjustments by the analyst). From 2000 through 2005, an average of 7,700 homes were permitted annually (Figure 15). Permits declined an average of 41 percent a year from 2006 through 2009, to 1,100 homes, in part because declining home prices in the existing sales market made existing homes considerably more affordable than new homes, and also because access to credit tightened, limiting what buyers could borrow. As household finances improved and demand for homes increased, from 2010 through 2016, permits increased an average of 21 percent a year, to 3,950 new single-family homes permitted.

Sterling Ranch, in northwestern Douglas County, is the largest new subdivision in the HMA. Construction of homes began in fall of 2016, and nearly 100 are complete. An additional 200 of the planned 800 homes are underway in the first phase, Providence Village, which is expected to be complete by 2020. An 1,810-square-foot, three-bedroom home with two-and-one-half bathrooms starts at $445,900. The second phase, Prospect Village, with about 650 planned homes, is expected to begin during the next 3 years. Construction of all nine phases is expected to take nearly 20 years, with approximately 12,000 single family homes, townhomes, condominiums, and apartments expected at full buildout. In

Figure 15. Single-Family Homes Permitted in the Southeast Submarket, 2000 to Current



Notes: Includes townhomes. Current includes data through June 2018.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2016 final data and analyst estimates; 2017–2018 preliminary data and analyst estimates

Table 8. Estimated Demand for New Market-Rate Sales Housing in the Southeast Submarket During the Forecast Period

Price Range ($)		Units of Demand	Percent of Total
From	To		
130,000	249,999	110	1.0
250,000	349,999	650	6.0
350,000	449,999	3,250	30.0
450,000	649,999	5,400	50.0
650,000	849,999	970	9.0
850,000	and higher	430	4.0

Notes: Numbers may not add to totals because of rounding. The 2,000 homes currently under construction in the submarket will likely satisfy some of the forecast demand. Demand for 75 mobile homes during the forecast period is excluded from this table.

Source: Estimates by analyst

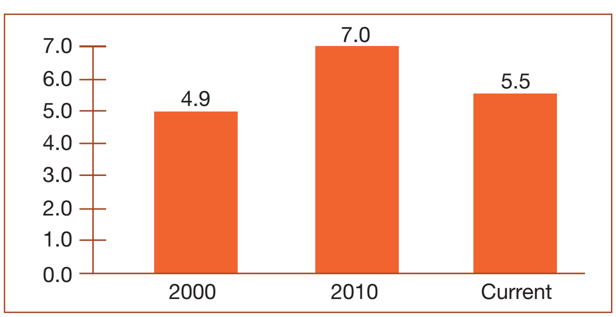
Arapahoe County, the Sheridan Square Townhomes are underway with 63 homes, and a two-bedroom home starts at $168,000.

During the next 3 years, demand is estimated for 10,900 new homes in the Southeast submarket including 75 mobile homes (Table 1). The 2,000 homes under construction will meet some of the demand during the first year. Homebuilding in Douglas County, which comprises approximately 25 percent of new home construction in the Denver HMA will meet much of the demand. Table 8 shows the estimated demand for sales housing in the Southeast submarket during the forecast period. Table DP-4 at the end of this report shows additional data about the Southeast Submarket.

Rental Market—Southeast Submarket

The overall rental market in the Southeast submarket is currently balanced, with an estimated 5.5-percent vacancy rate compared with 7.0 percent in 2010, when the market was soft. Figure 16 shows rental vacancy rates in the submarket from 2000 to the current date. The Southeast submarket has the highest rents in the HMA, in part because apartments in the submarket are generally newer and larger than those in the Denver County submarket. The average rent during the second quarter of 2018 is estimated to be 3 percent higher than the Denver County submarket, and 6 percent higher than the northwest submarket. Approximately 30 percent of renter households in the submarket live in single-family homes for rent, and 62 percent reside in multifamily buildings with five or more units, typically apartments (2012–2016 5-year ACS estimates). The remaining 8 percent of renter households live in other rental homes, including smaller multifamily buildings with two to four units and mobile homes.

Figure 16. Rental Vacancy Rates in the Southeast Submarket, 2000 to Current



Note: The current date is July 1, 2018.

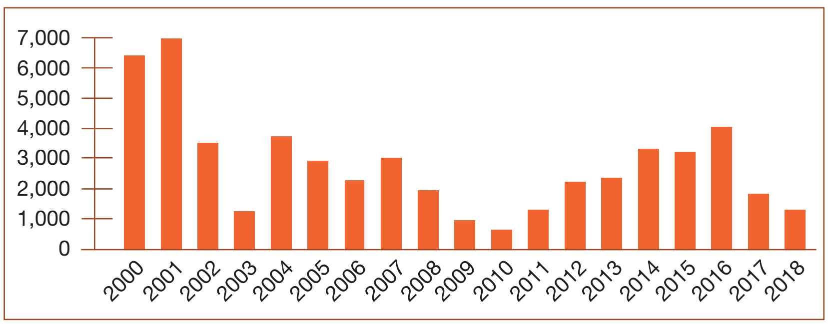
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

The apartment market in the Southeast submarket is currently balanced with a vacancy rate of 5.3 percent among stabilized, market rate units, unchanged from a year earlier *(Apartment Insights)*. Rents averaged $1,390, up 3 percent from a year earlier. Because of an increased number of units in lease-up in the submarket, the average vacancy rate among all apartments, including those with stabilized occupancy and those in lease-up during the second quarter of 2018, was 9.1 percent, up from 8.2 percent a year earlier. In the past year, 2,075 apartment units were absorbed in the market, which was similar to the number of units absorbed during the previous year, and well above the average of 1,250 units absorbed annually from 2011 to 2016.

Multifamily home construction in the submarket has remained relatively stable. Following a peak of an average of 6,600 units permitted each year in 2000 and 2001, when the first light rail lines opened in the submarket, construction subsided and averaged 2,725 units each year from 2002 through 2007 (Figure 17). Approximately 32 percent of multifamily construction from 2000 through 2007 was for condominiums. As financing for large multifamily construction projects became difficult to acquire during the national recession, construction decreased an average of 42 percent a year to a low of 570 units permitted in 2010. Apartment construction increased again in 2011 and 2012, and construction from 2012 through 2016 averaged 2,950 units a year. During the 12 months ending June 2018, 2,075 multifamily units were permitted, down from 2,825 units a year earlier (preliminary data with adjustments by the analyst). Condominium construction remains minimal in the submarket, averaging 4 percent of multifamily construction since 2008. Unlike the recent increase of condominium construction in the Denver County submarket, condominium construction since 2016 has accounted for less than 2 percent of multifamily construction in the Southeast submarket, which is virtually the same as the Northwest submarket. The 308-unit The Glenn Apartments opened in the spring of 2018 and is currently in lease up. Approximately 58 units are already occupied, and rents for the studio, one-, two-, and three-bedroom units start at $1,270, $1,525, $2,009, and $2,287, respectively. The 219-unit IMT at Ridgegate, in the city of Lone Tree, is expected to open in December 2018, and is currently pre-leasing. Rents for the studio, one-, and two -bedroom units are expected to start at about $1,320, $1,450, and $2,995, respectively.

During the next 3 years, demand is estimated for 7,275 new market-rate rental units (Table 1). The 1,500 units under construction will meet a portion of the demand during the first year. Table 9 shows estimated demand for new market-rate housing in the Southeast submarket during the forecast period.

Figure 17. Multifamily Units Permitted in the Southeast Submarket, 2000 to Current



Notes: Excludes townhomes. Current includes data through June 2018.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 9. Estimated Demand for New Market-Rate Rental Housing in the Southeast Submarket During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand	Monthly Rent ($)	Units of Demand
1,000 to 1,199	260	1,100 to 1,299	1,700	1,300 to 1,499	1,125	1,800 to 1,999	290
1,200 or more	170	1,300 or more	1,700	1,500 to 1,699	1,125	2,000 to 2,199	230
				1,700 or more	570	2,200 or more	60
Total	440	Total	3,425	Total	2,850	Total	580

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 1,500 units currently under construction will likely satisfy some of the estimated demand.
Source: Estimates by analyst

Data Profiles

Table DP-1. Denver HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total resident employment	1,208,565	1,299,724	1,574,000	0.7	2.6
Unemployment rate	2.6%	8.7%	2.8%		
Total nonfarm payroll jobs	1,211,300	1,193,900	1,481,000	– 0.1	2.9
Total population	2,179,240	2,543,482	2,930,000	1.6	1.7
Total households	852,153	1,004,696	1,137,200	1.7	1.5
Owner households	570,232	646,530	696,400	1.3	0.9
Percent owner	66.9%	64.4%	61.2%		
Renter households	281,921	358,166	440,800	2.4	2.5
Percent renter	33.1%	35.6%	38.8%		
Total housing units	890,901	1,078,837	1,197,000	1.9	1.3
Sales vacancy rate	1.1%	2.3%	0.8%		
Rental vacancy rate	4.4%	7.1%	5.7%		
Median Family Income	$58,600	$76,000	$80,100	2.6	0.8

Notes: Median Family Incomes are for 1999, 2009, and 2016. Employment data represent annual averages for 2000, 2010, and the 12 months through June 2018.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. Denver County Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total population	554,636	600,158	716,900	0.8	2.2
Total households	239,235	263,107	307,700	1.0	1.9
Owner households	125,539	131,529	141,400	0.5	0.9
Percent owner	52.5%	50.0%	46.0%		
Renter households	113,696	131,578	166,300	1.5	2.9
Percent renter	47.5%	50.0%	54.0%		
Total housing units	251,435	285,797	326,000	1.3	1.6
Sales vacancy rate	1.7%	3.6%	0.6%		
Rental vacancy rate	4.5%	7.3%	6.0%		
Median Family Income	$58,600	$76,000	$80,100	2.6	0.8

Notes: Median Family Incomes are for 1999, 2009, and 2016.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-3. Northwest Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	940,999	1,062,770	1,194,000	1.2	1.4
Total households	354,315	407,180	449,300	1.4	1.2
Owner households	255,274	281,869	298,800	1.0	0.7
Percent owner	72.0%	69.2%	66.5%		
Renter households	99,041	125,311	150,500	2.4	2.2
Percent renter	28.0%	30.8%	33.5%		
Total housing units	372,185	438,941	475,400	1.7	1.0
Sales vacancy rate	0.8%	1.9%	1.0%		
Rental vacancy rate	4.1%	6.9%	5.4%		
Median Family Income	NA	NA	NA	NA	NA

NA = data not available
Notes: Median Family Incomes are for 1999, 2009, and 2016.
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-4. Southeast Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	683,605	880,554	1,019,000	2.6	1.8
Total households	258,603	334,409	380,300	2.6	1.6
Owner households	189,419	233,132	256,300	2.1	1.2
Percent owner	73.2%	69.7%	67.4%		
Renter households	69,184	101,277	124,000	3.9	2.5
Percent renter	26.8%	30.3%	32.6%		
Total housing units	267,281	354,099	395,700	2.9	1.4
Sales vacancy rate	1.0%	2.1%	0.6%		
Rental vacancy rate	4.9%	7.0%	5.5%		
Median Family Income	NA	NA	NA	NA	NA

NA = data not available
Notes: Median Family Incomes are for 1999, 2009, and 2016.
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census

2010: 4/1/2010—U.S. Decennial Census

Current date: 7/1/2018—Estimates by the analyst

Forecast period: 7/1/2018–7/1/2021—Estimates by the analyst

The metropolitan statistical area definition noted in this report is based upon the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.

Demand: The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.

Other Vacant Units: In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_DenverCO_18.pdf.

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This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.