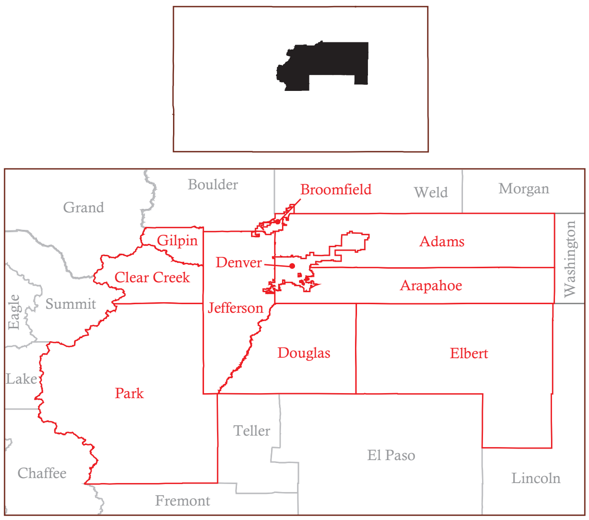
COMPREHENSIVE HOUSING MARKET ANALYSIS

Denver, Colorado

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2012



Housing Market Area

In north-central Colorado at the eastern edge of the Rocky Mountains, the Denver Housing Market Area (HMA)—which is coterminous with the Denver-Aurora-Broomfield, CO Metropolitan Statistical Area—has a population estimated at 2.6 million. For purposes of this analysis, the HMA is divided into three submarkets: the Denver County submarket, which is coterminous with the city of Denver; the Northwest submarket, comprising Adams, Broomfield, Clear Creek, Gilpin, Jefferson, and Park Counties; and the Southeast submarket, comprising Arapahoe, Douglas, and Elbert Counties.

Summary

Economy

Major industries in the Denver HMA include health care, tourism, high-technology manufacturing, and telecommunications. The economy began to recover in 2011 after 2 years of job losses. Nonfarm payrolls increased by 21,000 jobs, or 1.7 percent, in the 12 months ending March 2012. Growth was strongest in the professional and business services and the education and health services sectors, but job losses in the information, financial activities, and government sectors partially offset that growth. During the next 3 years, nonfarm payrolls are expected to increase by more than 57,000 jobs.

Sales Market

Sales housing market conditions in the HMA remain somewhat soft but have improved recently. Approximately 40,200 existing homes sold during the 12 months ending March 2012, a 9-percent increase from the previous 12 months. The average sales price declined 1 percent during the same period to $244,700. During the next 3 years, demand is expected for 19,200 new homes, of which 1,050 are currently under construction (Table 1). A portion of the 30,500 other vacant units may also reenter the market and satisfy a portion of the demand.

Rental Market

Rental housing market conditions are somewhat tight in the Denver County submarket and balanced in the two outlying submarkets. The overall vacancy rate in the HMA is estimated at 5.8 percent, down from 7.1 percent in April 2010. In some areas of the Denver County submarket, multifamily construction has not kept pace with rising demand. During the next 3 years, demand in the HMA is expected for 16,000 new rental units, of which 3,700 are currently under construction (Table 1).

Market Details

Table 1. Housing Demand in the Denver HMA, 3-Year Forecast, April 1, 2012 to April 1, 2015

	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	19,200	16,000	6,200	9,450	5,700	3,400	7,300	3,150
Under Construction	1,050	3,700	250	1,800	300	1,200	500	700

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Estimates include demand for mobile homes. Units under construction are as of April 1, 2012. A portion of the estimated 30,500 other vacant units in the HMA will likely satisfy some of the forecast demand. Numbers may not add to totals because of rounding.

Source: Estimates by analyst

Economic Conditions

The economy of the Denver HMA began to recover in 2011 after 2 years of job losses. During the 12 months ending March 2012, nonfarm payrolls averaged approximately 1,219,000 jobs, an increase of 21,000 jobs, or 1.7 percent, from the previous 12 months (Table 2). By contrast, in 2009 and 2010, nonfarm payrolls declined by an average of 29,800 jobs, or 2.4 percent, a year. During the 12 months ending March 2012, nonfarm payrolls remained 2.9 percent below the peak of 1,254,000 jobs recorded in 2008. The strongest growth in the past 12 months occurred in the professional and business services and the education and health services sectors and in the retail trade subsector, which increased by 8,300, 5,200, and 3,600 jobs, or 4.1, 3.6, and 3.0 percent, respectively. The leisure and hospitality, the mining, logging, and construction, and the other services sectors also posted gains, of 1,900, 1,950, and 2,050 jobs, or 1.5, 2.8, and 4.3 percent, respectively. Losses in other sectors partially offset these job gains. The government sector lost 1,800 jobs, a 1.0-percent decrease, because declines in federal and local government subsector payrolls more than offset an increase in state government subsector payrolls. In addition, the information and the financial activities sectors declined by 1,150 and 450 jobs, or 2.6 and 0.5 percent, respectively. The unemployment rate averaged 8.1 percent during the 12 months ending March 2012, down from 8.9 percent a year earlier. Figure 1 shows employment trends for the HMA from 2000 through 2011.

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

	12 Months Ending March 2011	12 Months Ending March 2012	Percent Change
Total Nonfarm Payroll Jobs	1,198,000	1,219,000	1.7
Goods Producing	130,400	132,800	1.8
Mining, Logging, & Construction	69,050	71,000	2.8
Manufacturing	61,350	61,800	0.7
Service Providing	1,067,000	1,086,000	1.7
Wholesale & Retail Trade	182,700	187,100	2.4
Transportation & Utilities	45,550	45,450	– 0.2
Information	45,050	43,900	– 2.6
Financial Activities	90,750	90,300	– 0.5
Professional & Business Services	204,500	212,800	4.1
Education & Health Services	144,100	149,300	3.6
Leisure & Hospitality	128,600	130,500	1.5
Other Services	47,500	49,550	4.3
Government	178,600	176,800	– 1.0

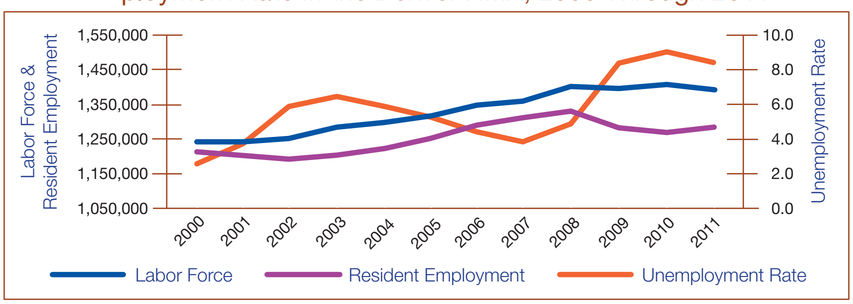
Notes: Based on 12-month averages through March 2011 and March 2012. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

From 1994 through 2000, the HMA had unusually strong economic growth, with nonfarm payrolls increasing by nearly 42,000 jobs, or 4.4 percent, a year, led by the rapid development of industries such as telecommunications and computer equipment manufacturing. The bursting of the dot-com bubble in 2000 and the subsequent economic recession both hit the economy of the HMA particularly hard. From 2001 through 2003, nonfarm payrolls declined by an average of 25,450 jobs, or 2.1 percent, a year. The information and the professional and business services sectors each lost an average of 7,350 jobs a year, and the manufacturing sector declined by 4,800 jobs a year, annual decreases of 10.7, 3.8, and 5.9 percent, respectively. From 2004 through 2008, the economy expanded at a moderate rate, with nonfarm payrolls increasing by 21,450 jobs, or 1.8 percent, a year. Job growth during this period was distributed among several sectors, including professional and business services, education and health services, leisure and hospitality, and mining, logging, and construction, which increased 4.1, 3.7, 2.6, and 1.7 percent a year, respectively. Figure 2 shows nonfarm payroll growth by sector since 2000.

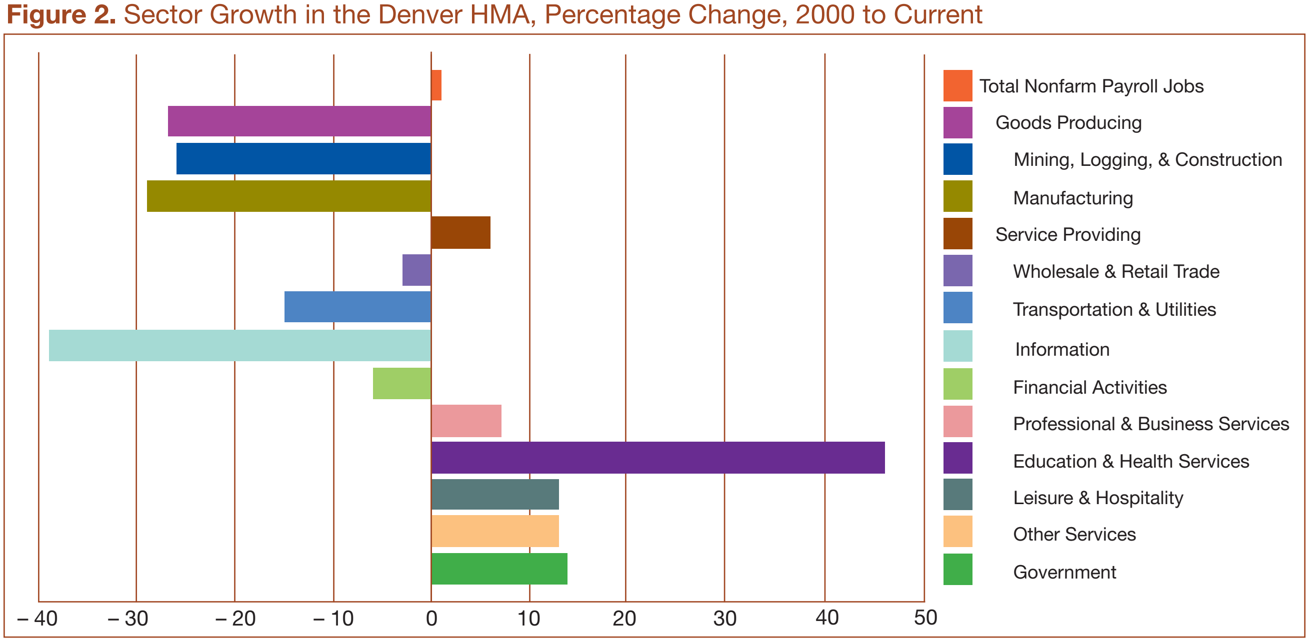
Major industries in the HMA include health care, tourism, high-technology manufacturing, and telecommunications. The leading private-sector employers in the HMA are HealthONE, CenturyLink, Inc., Exempla Healthcare, and Lockheed Martin Corporation, with approximately 9,600, 7,400, 7,300, and 7,200 employees, respectively (Table 3). With the city of Denver as the state capital and the HMA a regional center for federal agencies, public-sector employment is also a

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Denver HMA, 2000 Through 2011



Source: U.S. Bureau of Labor Statistics

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



Note: Current is based on 12-month averages through March 2012.
Source: U.S. Bureau of Labor Statistics

major presence, with approximately 38,100 state government and 28,300 federal government employees in the HMA. Figure 3 shows the share of nonfarm payrolls in each sector.

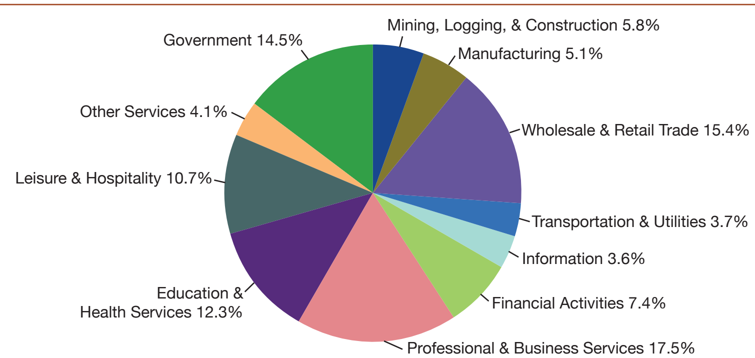
In the Denver County submarket, the largest job center is downtown Denver, with total employment of more than 110,000 people. In the Southeast submarket, the largest job centers are the Denver Tech Center (DTC) and nearby business parks along Interstate 25 (the Southeast Corridor), which collectively employ nearly 130,000 workers. The DTC includes more than 1,000 firms, representing industries such as financial services, telecommunications, and scientific and engineering services.

Table 3. Major Employers in the Denver HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
HealthONE	Education & Health Services	9,640
CenturyLink, Inc.	Information	7,380
Exempla Healthcare	Education & Health Services	7,320
Lockheed Martin Corporation	Manufacturing	7,220
Centura Health	Education & Health Services	6,370
Kaiser Permanente®	Education & Health Services	5,870
DISH Network	Information	4,690
United Airlines	Transportation & Utilities	4,500
Wells Fargo & Company	Financial Activities	4,400
University of Denver	Education & Health Services	4,310

Notes: Private employers only. Estimates as of 2011.
Source: Metro Denver Economic Development Corporation

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



Note: Based on 12-month averages through March 2012.
Source: U.S. Bureau of Labor Statistics

Job centers in the Northwest submarket, which are more dispersed, include the Denver Federal Center in Lakewood and the adjacent St. Anthony Medical Campus, which combined have more than 11,000 employees, and the Interlocken Business Park in Broomfield, which has nearly 15,000 workers and includes firms in industries such as telecommunications, software development, and high-technology manufacturing.

During the next 3 years, nonfarm payrolls in the HMA are expected to increase an average of 1.6 percent a year, or approximately 57,100 total jobs. Growth is expected to continue in sectors such as professional and business services and education and health services. The manufacturing and the mining, logging, and construction sectors, which experienced significant job losses during the recent economic recession, are also expected to post job growth during the next 3 years. Work on a $7 billion program, called FasTracks, to expand commuter and light rail systems in the HMA, is expected to continue through at least 2017. In addition, in recent years, Colorado has emerged as a center for renewable energy research and manufacturing; firms such as General Electric Company, SMA Solar Technology AG, and Vestas Wind Systems A/S have expanded in or relocated to the area. Also, the National Renewable Energy Laboratory in Jefferson County is currently undergoing a $450 million expansion, which began in 2009 and is expected to continue through the end of 2012.

Population and Households

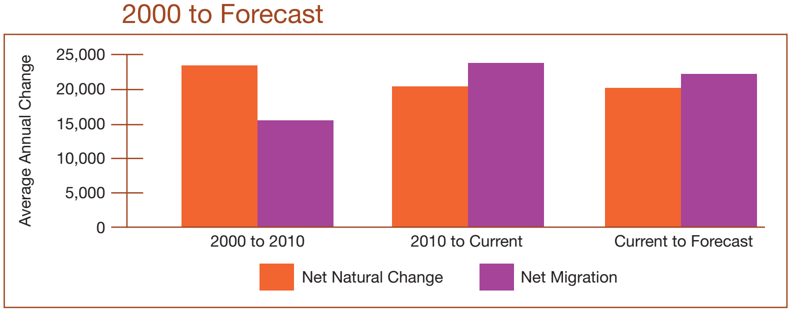
The current population of the Denver HMA is estimated at 2,631,000, an increase of nearly 43,750, or 1.7 percent, a year since 2010. Net in-migration accounted for more than 50 percent of the growth, averaging approximately 23,750 people a year, whereas net natural change (resident births minus resident deaths) averaged an increase of nearly 20,250 people a year. By comparison, from 2000 to 2010, the population of the HMA increased by approximately 38,550, or 1.7 percent, a year. During that period, net in-migration accounted for a smaller share of population growth, averaging about 15,300 people a year, or 40 percent of the total, whereas net natural change averaged an increase of 23,250 people a year (Figure 4).

In the Denver County submarket, from 2000 to 2010, population growth averaged approximately 4,550 people, or 0.8 percent, annually. Whereas net natural change averaged an increase of more than 6,400 people a year, net migration was negative, with net out-migration averaging about 1,850 people a year. According to U.S. Census Bureau estimates, net out-migration averaged nearly 6,600 people a year from 2001 to 2005, in the aftermath of the 2001 recession. That trend reversed later in the decade, and net in-migration averaged more than 6,200 people a year from 2005 to 2009. Since 2010, the population of the Denver County submarket has increased at a much faster rate than during the previous decade, averaging growth of approximately 15,750 people, or 2.6 percent, a year. Whereas the rate of net natural change slowed to an average increase of 6,100 people a year, the rate of net in-migration continued to rise, averaging 9,650 people a year.

In the Northwest submarket, population growth averaged approximately 14,350 people, or 1.5 percent, a year from 2000 to 2010 but slowed to 13,100 people, or 1.2 percent, a year after 2010. Since 2000, net in-migration has accounted for less than 50 percent of the population growth, averaging approximately 5,850 people a year from 2000 to 2010 and 6,050 people a year since 2010. Net natural change averaged an increase of approximately 8,450 people a year from 2000 to 2010 but slowed to 7,150 people a year after 2010.

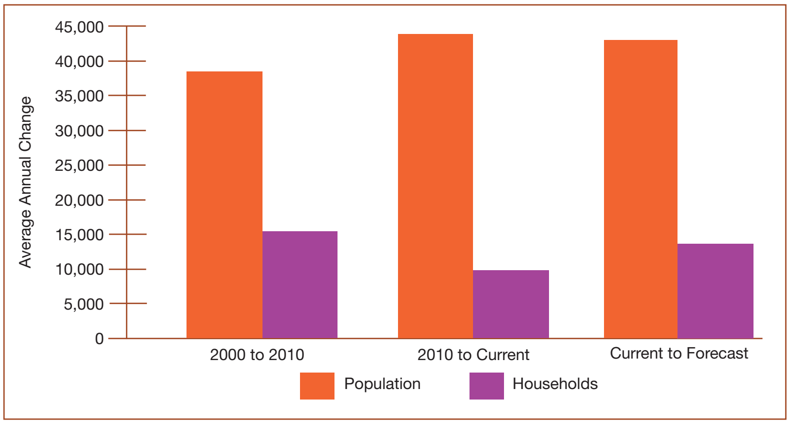
In the Southeast submarket, population growth averaged approximately 19,700 people, or 2.6 percent, a year from 2000 to 2010 but slowed to 15,050 people, or 1.7 percent, a year after 2010. More than 50 percent of population growth in the Southeast submarket resulted from net in-migration, which averaged about 11,300 people a year from 2000 to 2010 before slowing to 8,050 people a year after 2010. Net natural change averaged an increase of nearly 8,400 people a year from 2000 to 2010 but slowed to fewer than 7,000 people a year after 2010. Job growth in the DTC spurred population growth in Douglas County, contributing to its status as one of the fastest growing counties in the nation. The population of Douglas County grew by nearly 110,000 from 2000 to 2010, a 6.2-percent annual growth rate.

Figure 4. Components of Population Change in the Denver HMA, 2000 to Forecast



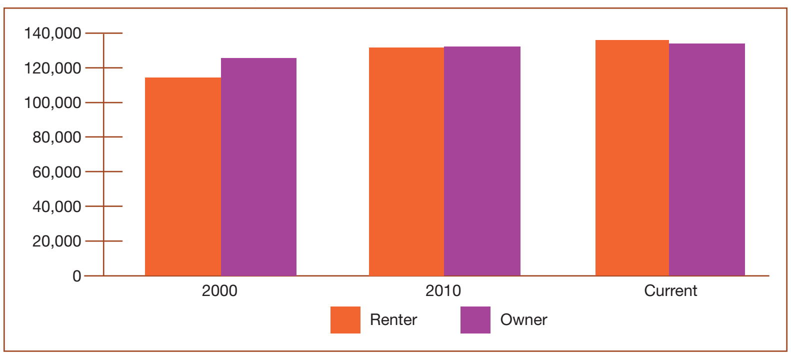
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Population and Household Growth in the Denver HMA, 2000 to Forecast



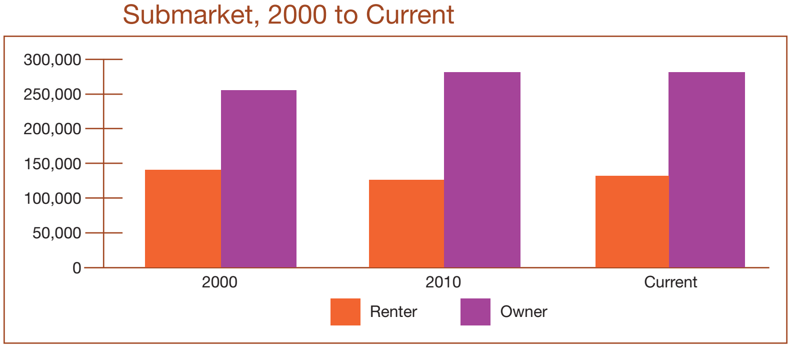
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

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



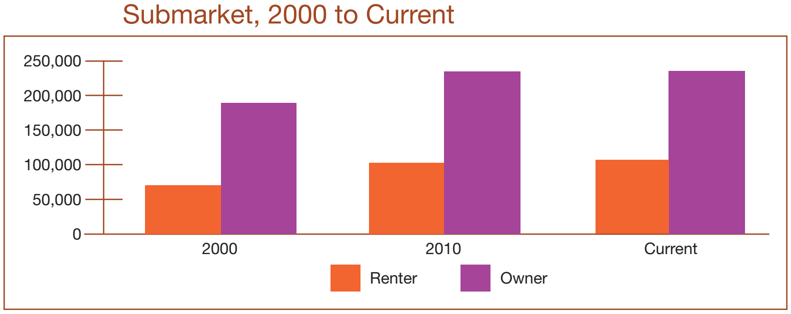
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

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



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



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

During the 1990s, the population of Douglas County nearly tripled, from approximately 60,400 to 175,800, or 19 percent a year.

The number of households in the HMA has increased by approximately 9,650, or 1 percent, a year since 2010, a significantly slower rate compared with that of the previous decade. From 2000 to 2010, growth in the number of households averaged 15,250, or 1.7 percent, a year (Figure 5). During that earlier period, the number of owner and renter households grew at a nearly identical pace of about 7,625 a year. After 2010, however, owner household growth slowed considerably, to about 1,100 households a year, whereas renter household growth increased to more than 8,700 households a year. Table DP-1, at the end of this report, provides current demographic data for the HMA. In the Denver County submarket, the number of households increased by nearly 2,400, or 1 percent, a year from 2000 to 2010. Household growth has been stronger since 2010, averaging 3,850 households, or 1.5 percent, a year. In the other two submarkets, by contrast, household growth has slowed since 2010. The number of households in the Northwest submarket increased by nearly 5,300, or 1.4 percent, a year from 2000 to 2010 but declined to an average of 2,650, or 0.7 percent, a year after 2010. In the Southeast submarket, the number of households increased by nearly 7,600, or 2.6 percent, a year from 2000 to 2010 but slowed to an average of 3,300, or 1 percent, a year after 2010. Figures 6, 7, and 8 show the number of households by tenure in each submarket.

During the next 3 years, the population of the HMA is expected to increase by an average of 43,000, or 1.6 percent, annually. Slightly more than 50 percent of the growth is anticipated to be from net in-migration, expected to average more than 22,000 people a year, and net natural change is projected to average an increase of fewer than 21,000 people a year. The Denver County submarket is expected to have the strongest growth, with the population increasing by 16,100, or 2.5 percent, a year. In the Northwest submarket, growth is expected to average approximately 13,350 people, or 1.2 percent, a year, and in the Southeast submarket, population growth is expected to average 13,500 people, or 1.5 percent, a year. The number of households in the HMA is forecast to increase by approximately 13,650, or 1.3 percent, a year. The Denver County submarket is expected to continue exhibiting the strongest household growth, of nearly 5,600 households, or 2 percent, a year, followed by the Southeast submarket with nearly 4,200 households, or 1.2 percent, a year, and the Northwest submarket, with fewer than 3,900 households, or 0.9 percent, a year.

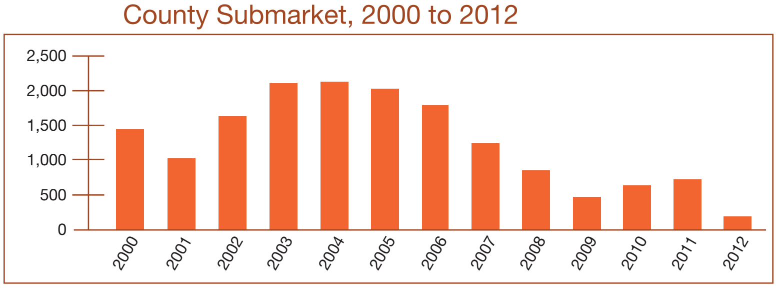
Housing Market Trends

Sales Market—Denver County Submarket

The sales housing market in the Denver County submarket is currently somewhat soft, but market conditions are improving. The vacancy rate among homes for sale is estimated at 2.5 percent, which is more than the 1.7-percent rate as of April 2000 but less than the 3.6-percent rate of April 2010 (Table DP-2 at the end of this report). Based on data from Hanley Wood, LLC, during the 12 months ending March 2012, approximately 10,100 existing homes sold, a 10-percent increase compared with the 9,200 sold during the previous 12 months. The sales volume remains less than during its peak period of 2005 through 2007, however, when existing home sales averaged nearly 14,500 a year. During the 12 months ending March 2012, prices for existing homes averaged about $261,900, up from $260,900 during the previous 12 months, less than a 1-percent increase. By comparison, from 2005 through 2007, existing home sales prices averaged nearly $279,000. REO (Real Estate Owned) sales continue to exert downward pressure on home prices, but this problem appears to be diminishing gradually. For the 12 months ending March 2012, sales prices for REO homes averaged approximately $159,700, significantly less than the $302,100 average non-REO existing home sales price. REO sales accounted for 28.2 percent of existing home sales during the 12 months ending March 2012, down from 29.6 percent during the previous 12 months. In addition, the number of distressed properties in the submarket declined. According to data from LPS Applied Analytics, in March 2012, 4.0 percent of outstanding mortgages in the HMA were 90 or more days delinquent, in foreclosure, or transitioned into REO, down from 4.8 percent a year earlier.

As the central city of a metropolitan area, the submarket is mostly built out, but areas of opportunity for development include two of the largest infill redevelopment sites in the nation. The Lowry neighborhood in east Denver was previously the site of a U.S. Air Force base that closed in 1994. Subsequently, the 1,900-acre site was redeveloped as a mixed-use residential, retail, and office area, which to date includes more than 4,000 homes. The site of the former Stapleton International Airport, which closed on completion of Denver International Airport in 1995, is undergoing a similar redevelopment. Construction of new homes at the 4,700-acre site in northeast Denver began in May 2001, with development projected to take 15 years to complete. More than 4,500 homes have been built to date. When finished, the Stapleton neighborhood is expected to include as many as 12,000 new homes, accommodating roughly 30,000 residents, and to have nearly 14 million square feet of retail, office, and industrial space. In both Lowry and Stapleton, new home sales prices typically start at about $190,000 for attached units (such as condominiums and townhomes) and $300,000 for detached single-family homes.

Figure 9. Single-Family Building Permits Issued in the Denver County Submarket, 2000 to 2012



Notes: Includes townhomes. Includes data through March 2012.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

The decline in home sales from the peak period of 2005 through 2007 led to a decrease in homebuilding activity, as measured by the number of single-family homes permitted. Single-family permitting averaged nearly 1,700 homes a year from 2000 through 2007, then declined to average 660 homes a year from 2008 through 2011 (Figure 9). Although single-family construction remains at low levels, recent improvements in the sales market led to an increase in permit activity. Based on preliminary data, during the 12 months ending March 2012, nearly 790 single-family homes were permitted in the submarket compared with the fewer than 550 homes permitted during the previous 12 months, a 45-percent increase.

During the next 3 years, demand is expected for 6,200 new homes, which includes single-family homes, townhomes, and condominiums. New home sales prices start at approximately $175,000. The 250 units currently under construction and a portion of the 7,200 other vacant units in Denver County that may reenter the market will likely satisfy some of the estimated demand (Table 1). The sales market is expected to remain somewhat soft during the first year of the forecast period, but conditions are expected to strengthen by the third year, when demand is expected for more than 3,000 new sales units. Table 4 shows the estimated demand for new market-rate sales housing, by price range, during the 3-year forecast period.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Denver County Submarket, April 1, 2012 to April 1, 2015

Price Range ($)		Units of Demand	Percent of Total
From	To		
175,000	199,999	620	10.0
200,000	249,999	1,425	23.0
250,000	299,999	1,675	27.0
300,000	399,999	1,300	21.0
400,000	749,999	870	14.0
750,000	and higher	310	5.0

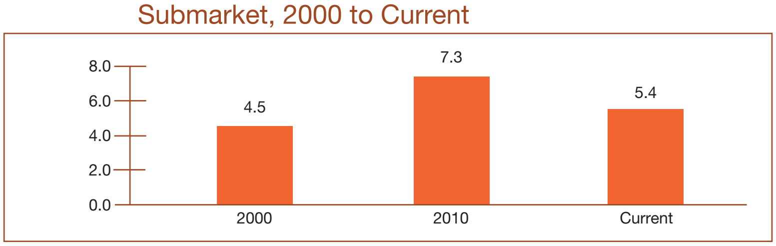
Note: The 250 homes currently under construction and a portion of the estimated 7,200 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Rental Market—Denver County Submarket

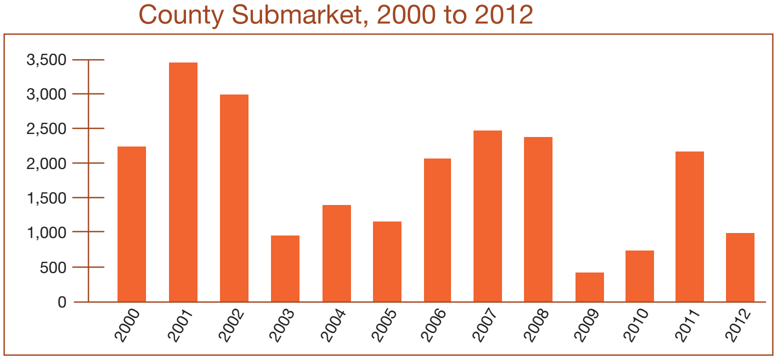
The rental housing market in the Denver County submarket is currently somewhat tight, with the overall vacancy rate estimated at 5.4 percent, down from 7.3 percent as of April 2010 (Figure 10). Increased in-migration in the past 2 years contributed to rising rental demand. According to a 2011 analysis published by The Brookings Institution, the Denver metrpolitan area ranked as one of the top migration destinations in the nation for people ages 25 to 34. In addition, a slowdown in rental unit construction in 2009 and 2010 caused supply to lag behind the growth in demand. According to data from *Apartment Insights*, the 5.3-percent apartment vacancy rate in the submarket in the first quarter of 2012 was down from the 7.5-percent rate in the first quarter of 2010. The biggest declines occurred in central areas such as Cherry Creek, Washington Park, and Capitol Hill, which had first quarter 2012 apartment vacancy rates of 5.1, 4.7, and 3.3 percent, respectively. The average apartment rent in the submarket in the first quarter of 2012 was approximately $950 compared with $885 a year earlier, a 7-percent increase. Monthly apartment rents currently average approximately $825 for a one-bedroom unit, $1,090 for a two-bedroom unit, and $1,365 for a three-bedroom unit.

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



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

Figure 11. Multifamily Building Permits Issued in the Denver County Submarket, 2000 to 2012



Notes: Excludes townhomes. Includes data through March 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Multifamily construction, based on the number of units permitted, increased in 2011 (Figure 11) after 2 years of subdued activity, which was in part a result of tight commercial credit markets. Based on preliminary data, during the 12 months ending March

2012, approximately 1,675 multifamily units were permitted in the submarket, nearly double the 880 units permitted in the previous 12 months. During 2009 and 2010, multifamily construction averaged only about 500 units a year. By contrast, nearly 2,300 multifamily units were permitted annually from 2006 through 2008. Denargo Market, a 300-unit apartment complex, is currently under construction in the River North area near downtown Denver. Construction began in September 2011 and is expected to be complete by mid-2013. Rents for one-, two-, and three-bedroom units will average approximately $980, $1,340, and $1,850, respectively. The 150-unit Legends at Lowry began construction in August 2011 and is expected to be complete by the summer of 2012. Rents are expected to average $1,030, $1,360, and $1,580 for one-, two-, and three-bedroom units, respectively.

During the next 3 years, demand is estimated for 9,450 new rental units in the submarket (Table 1). The estimated 1,800 units currently under construction, most of which are expected to be complete within the next 12 months, will meet a portion of that demand. In addition, properties currently in the final stages of planning are expected to add another 1,200 units during the next 3 years. As a result, additional completions need to be timed to enter the market during the second and third years of the forecast period. Table 5 shows estimated demand for new market-rate rental housing, by rent level, during the 3-year forecast period.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Denver County Submarket, April 1, 2012 to April 1, 2015

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
750 to 949	280	900 to 1,099	2,550	1,100 to 1,299	1,625	1,300 to 1,499	510
950 to 1,149	95	1,100 to 1,299	850	1,300 to 1,499	900	1,500 to 1,699	280
1,150 to 1,349	70	1,300 to 1,499	640	1,500 to 1,699	540	1,700 to 1,899	170
1,350 or more	25	1,500 or more	210	1,700 to 1,899	360	1,900 to 2,099	110
				1,900 or more	180	2,100 or more	55
Total	470	Total	4,250	Total	3,600	Total	1,125

Notes: Numbers may not add to totals because of rounding. The 1,800 units currently under construction will satisfy some of the estimated demand.
Source: Estimates by analyst

Sales Market—Northwest Submarket

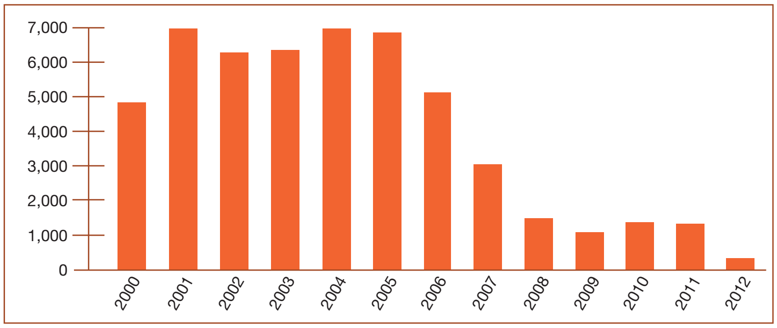
The sales housing market in the Northwest submarket is currently slightly soft. The vacancy rate among homes for sale is estimated at 1.7 percent, less than the 1.9-percent rate as of April 2010 but more than the 0.8-percent rate of April 2000. Table DP-3, at the end of this report, provides housing data for the submarket. Based on data from Hanley Wood, LLC, during the 12 months ending March 2012, approximately 15,450 existing homes sold compared with 14,350 homes sold during the previous 12 months, an increase of 8 percent. Sales volume has declined from 5 years ago, however; from 2005 through 2007, existing home sales averaged nearly 22,000 a year. Sales prices for existing homes averaged approximately $215,400 during the 12 months ending March 2012, down from $219,800 during the previous 12 months, a 2-percent decrease. Prices are also lower than their recent peak; from 2005 through 2007, existing home sales prices averaged nearly $244,000. REO sales continue to put downward pressure on home prices, but the REO share of existing sales has declined from its peak. In 2005 and 2006, REO sales accounted for less than 18 percent of existing home sales, but that share increased to more than 40 percent in 2008. Since 2009, the REO share of existing home sales has remained steady at 33 percent. As a favorable sign, the number of distressed properties has declined. According to data from LPS Applied Analytics, in March 2012, 4.4 percent of outstanding home loans were 90 or more days delinquent, in foreclosure, or transitioned into REO, down from 5.0 percent a year earlier.

Within the submarket, the most active areas for residential development have been eastern Jefferson and western Adams Counties, in part because of their proximity to job centers and the availability of developable land. From 2000 to 2010, more than 80 percent of the single-family homes added in the submarket were in those two counties. Although Broomfield County has major job centers, much of the County is already built out. The western counties of the submarket, Clear Creek, Gilpin, and Park, are farther from job centers and not as densely populated. In addition, the three western counties tend to be mountainous, and much of their land area comprises state parks or national forests. Adams County, which includes the suburbs north of Denver, is among the most affordable areas for sales housing in the Denver HMA. In the 12 months ending March 2012, sales prices for existing homes in Adams County averaged about $166,300, 23 percent less than the submarket average. The 2,500-acre Reunion subdivision, near Commerce City and west of Denver International Airport, is one recent Adams County development. Sales prices for new single-family homes in Reunion start at approximately $200,000.

Jefferson County includes most of the suburbs west of Denver. The older, existing suburbs are clustered in the northeastern part of the county, adjacent to Denver, and more recent development has tended to extend south along the eastern edge of the county. Some recent development has occurred farther west, however, in the foothills of the Rocky Mountains. Solterra, in western Lakewood, near the town of Morrison, is one recent development. Prices in this subdivision are much more than the submarket average, with new single-family homes starting at approximately $500,000.

Homebuilding activity in the submarket has declined along with home sales compared with the 2001-through-2005 period, reflecting less demand. Based on preliminary data, approximately 1,325 single-family homes were permitted during the 12 months ending March 2012 compared with the 1,350 homes permitted in the previous 12 months, a 2-percent decrease. From 2001 through 2005, single-family home construction, as measured by the number of single-family homes permitted, averaged approximately 6,600 homes a year (Figure 12).

Figure 12. Single-Family Building Permits Issued in the Northwest Submarket, 2000 to 2012



Notes: Includes townhomes. Includes data through March 2012.
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, April 1, 2012 to April 1, 2015

Price Range ($) From	Price Range ($) To	Units of Demand	Percent of Total
175,000	224,999	1,050	20.0
225,000	299,999	1,325	25.0
300,000	399,999	1,325	25.0
400,000	499,999	1,050	20.0
500,000	and higher	530	10.0

Notes: Estimated demand excludes mobile homes. The 300 homes currently under construction and a portion of the estimated 16,500 other vacant units in the submarket will likely satisfy some of the forecast demand.
Source: Estimates by analyst

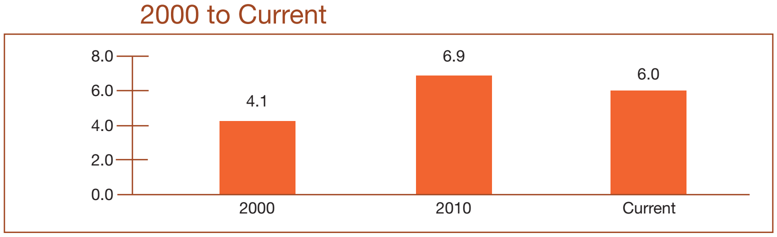
During the next 3 years, demand is expected for 5,700 new homes, which includes single-family homes, townhomes, condominiums, and 400 mobile homes (Table 1). New home sales prices start at approximately $175,000. The 300 units currently under construction, and some of the 16,500 other vacant units in the submarket that likely will reenter the home sales market, will satisfy a portion of the forecast demand. Table 6 shows estimated demand for new market-rate sales housing, by price range, during the 3-year forecast period.

Rental Market—Northwest Submarket

Rental housing market conditions in the Northwest submarket are currently balanced, with the overall vacancy rate estimated at 6.0 percent, down from 6.9 percent in April 2010 (Figure 13). The increased in-migration to the Denver HMA has contributed to stronger demand in the past 2 years. Based on data from *Apartment Insights*, the 5.1-percent apartment vacancy rate in the submarket in the first quarter of 2012 was down from the 6.7-percent rate in the first quarter of 2010. The average apartment rent in the submarket in the first quarter of 2012 was approximately $880, up from $850 a year earlier, a 4-percent increase. Monthly apartment rents currently average about $750 for a one-bedroom unit, $950 for a two-bedroom unit, and $1,200 for a three-bedroom unit.

Multifamily construction, based on the number of units permitted, increased in 2011 after 2 years of very little building activity (Figure 14). Based on preliminary data, during the 12 months ending March 2012, approximately 700 multifamily units were permitted in the submarket, a significant increase from the previous 12 months, when about 50 units were permitted. Recent building activity is much less than the

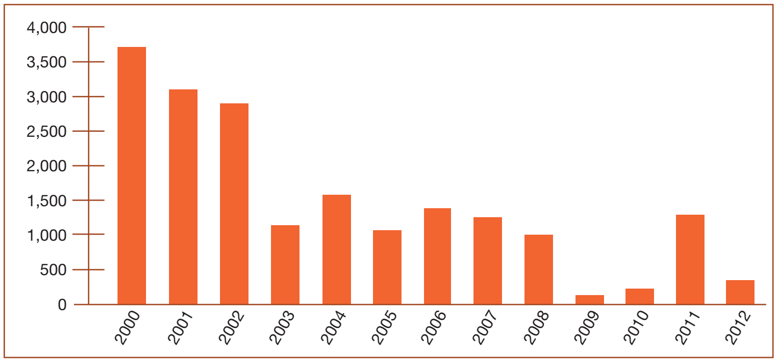
Figure 13. Rental Vacancy Rates in the Northwest Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst peak levels reached from 2000 through 2002, however, when multifamily permitting averaged more than 3,200 units a year, and also remains less than the levels for 2003 through 2008, when an average of 1,225 units a year were permitted. The 300-unit Arbor Square apartments were recently completed in Westminster, in western Adams County. The complex is currently leasing up, and rents for one-, two-, and three-bedroom units average approximately $1,150, $1,400, and $1,850, respectively. The 272-unit Arista Uptown apartments, currently under construction in Broomfield, are expected to be complete in early 2013. Rents are expected to range from $900 to $1,000 for studio units, $1,045 to $1,425 for one-bedroom units, and $1,375 to $1,685 for two-bedroom units.

During the next 3 years, demand is expected for 3,400 new rental units in the submarket (Table 1). The estimated 1,200 units currently under construction, most of which are expected to be complete during the next 12 months, will meet a portion of the demand. In addition, another 700 units currently in the final stages of planning are expected to come on line during the next 3 years. As a result, units currently in the development pipeline are likely to meet most of the demand during the first 2 years of the forecast period, and additional planned completions need to be timed to enter the market during the third year of the forecast period. Table 7 shows estimated demand for new market-rate rental housing, by rent level, during the next 3 years.

Figure 14. Multifamily Building Permits Issued in the Northwest Submarket, 2000 to 2012



Notes: Excludes townhomes. Includes data through March 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Northwest Submarket, April 1, 2012 to April 1, 2015

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
850 to 1,049	850	1,050 to 1,249	690	1,250 to 1,449	70
1,050 to 1,249	430	1,250 to 1,449	380	1,450 to 1,649	45
1,250 to 1,449	260	1,450 to 1,649	310	1,650 to 1,849	35
1,450 or more	170	1,650 or more	150	1,850 or more	25
Total	1,700	Total	1,525	Total	170

Notes: Numbers may not add to totals because of rounding. The 1,200 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

Sales Market—Southeast Submarket

The sales housing market in the Southeast submarket is currently somewhat soft. The vacancy rate among units for sale is estimated at 1.8 percent, less than the 2.1-percent rate of April 2010 but more than the 1.0-percent rate of April 2000. Table DP-4, at the end of this report, provides housing data for the submarket. According to data from Hanley Wood, LLC, approximately 14,600 existing homes sold in the submarket during the 12 months ending March 2012, up from 13,450 sold during the previous 12 months, a 9-percent increase. Recent sales activity is much less than it was during the peak years of 2005 through 2007, when existing home sales averaged nearly 20,000 a year.

Prices for existing homes in the submarket averaged approximately $263,800 during the 12 months ending March 2012, down from $266,600 during the previous 12 months, a 1-percent decrease. As with sales, prices are less than they were during their peak years; from 2005 through 2007, existing home sales prices averaged nearly $300,000. REO home sales continue to exert downward pressure on prices. REO sales represented less than 17 percent of existing home sales during 2005 and 2006 but spiked to 37 percent in 2008, before declining to 31 percent in 2009. In the past 3 years, the REO share of existing sales has remained above 30 percent. In a favorable sign, however, the number of distressed properties has been declining. According to data from LPS Applied Analytics, in March 2012, 4.2 percent of home loans were 90 or more days delinquent, in foreclosure, or transitioned into REO, down from 4.8 percent a year earlier.

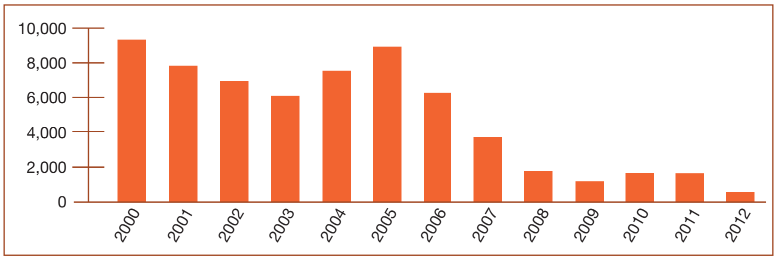
Employment growth in the DTC area has spurred residential development in western Arapahoe and northern Douglas Counties, and much of the job growth has been in relatively high-paying professional and technical occupations. The submarket includes several of the more affluent suburbs in the Denver HMA, such as Cherry Hills Village and Greenwood Village, both in Arapahoe County. Western Arapahoe County, which includes many of the older suburbs south of Denver, is largely developed, so construction in the county has shifted eastward. Since 2000, more than 90 percent of single-family homebuilding activity in Arapahoe County has been in Aurora, a large suburb east of Denver, or in nearby unincorporated parts of the county. Sorrell Ranch, in southeast Aurora, is a new subdivision with single-family homes starting at approximately $265,000.

More than 70 percent of homebuilding activity in Douglas County has occurred in the northern part of the county, in unincorporated areas such as Highlands Ranch and suburbs such as Parker and Lone Tree. In addition, the city of Castle Rock, in central Douglas County, accounted for more than 25 percent of single-family homebuilding in the county. Among the new subdivisions currently under construction, Horseshoe Ridge, in Parker, has single-family homes starting at approximately $260,000.

When home sales demand declined after 2007, homebuilding activity, as measured by the number of single-family homes permitted, also declined. Single-family permitting averaged more than 7,550 homes a year from

2000 through 2006, then declined to average fewer than 2,000 homes a year from 2007 through 2011 (Figure 15).

Figure 15. Single-Family Building Permits Issued in the Southeast Submarket, 2000 to 2012



Notes: Includes townhomes. Includes data through March 2012.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 8. Estimated Demand for New Market-Rate Sales Housing in the Southeast Submarket, April 1, 2012 to April 1, 2015

Price Range ($) From	Price Range ($) To	Units of Demand	Percent of Total
175,000	224,999	730	10.0
225,000	299,999	1,825	25.0
300,000	399,999	2,175	30.0
400,000	499,999	1,450	20.0
500,000	and higher	1,100	15.0

Note: The 500 homes currently under construction and a portion of the estimated 6,800 other vacant units in the submarket will likely satisfy some of the forecast demand.
Source: Estimates by analyst

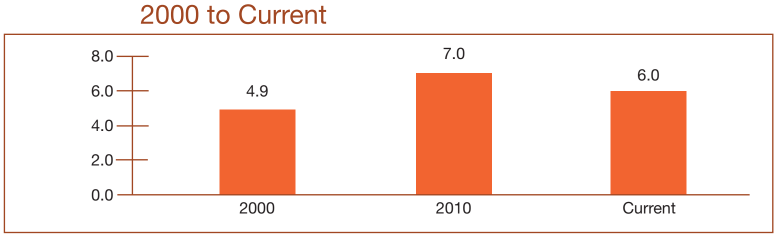
Although single-family homebuilding remains at low levels, permitting increased in the past year. Based on preliminary data, approximately 1,850 single-family homes were permitted in the submarket during the 12 months ending March 2012, up from 1,450 homes in the previous 12 months, a 29-percent increase.

During the next 3 years, demand is expected for 7,300 new homes, which includes single-family homes, townhomes, and condominiums. New home prices start at approximately $175,000. The 500 units currently under construction (Table 1) and some of the 6,800 other vacant units in the submarket that are likely to reenter the home sales market will satisfy a portion of the forecast demand. Table 8 shows estimated demand for new market-rate sales housing, by price range, during the 3-year forecast period.

Rental Market—Southeast Submarket

Rental housing market conditions in the Southeast submarket are currently balanced, with the overall vacancy rate estimated at 6.0 percent, down from 7.0 percent as of April 2010 (Figure 16). Job growth in the Denver HMA during the past 2 years, along with increased in-migration, has led to rising demand for rental housing. According to data from *Apartment Insights*, the 5.9-percent apartment vacancy rate in the submarket in the first quarter of 2012 was up slightly from the 5.6-percent rate a year earlier but down from the 7.0-percent rate in the first quarter of 2010. The average apartment rent in the submarket in the first quarter of 2012 was approximately $915, up 5 percent from $875 a year earlier. Monthly apartment rents currently average about $770 for a one-bedroom unit, $1,000 for a two-bedroom unit, and $1,360 for a three-bedroom unit.

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

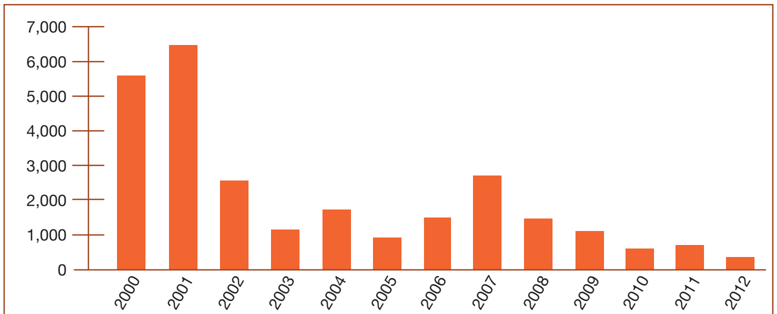


Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Multifamily construction in the submarket has remained stable at a low level during the past 2 years. Based on preliminary data, during the 12 months ending March 2012, approximately 575 multifamily units were permitted, down slightly from the 600 units permitted in the previous 12 months. After peaking in 2000 and 2001, when multifamily permitting averaged nearly 6,000 units a year, construction activity in the submarket declined to average approximately 1,700 multifamily units permitted a year from 2002 through 2008 (Figure 17). Construction declined further after the recent economic recession and averaged fewer than 800 units a year from 2009 through 2011. The 208-unit Regency at RidgeGate is nearing completion in Lone Tree, in northern Douglas County. When leasing begins in the late summer of 2012, rents for one- and two-bedroom apartments are expected to start at $1,000 and $1,245, respectively, and rents for three-bedroom townhomes are expected to start at $2,060. The 288-unit Zenith Meridian recently opened in the western Arapahoe County suburb of Englewood. The project is currently leasing up; rents for one-bedroom units average approximately $1,050 a month, and rents for two-bedroom units average approximately $1,415 a month.

During the next 3 years, demand is expected for 3,150 new rental units in the submarket (Table 1). The 700 units currently under construction, most of which are expected to be complete during the next 12 months, will meet a portion of that demand. An additional 500 units in the final planning stages are expected to come on line within the next 3 years. During the first year of the forecast period, the units currently under construction or in the development pipeline are expected to meet demand. Therefore, additional planned completions need to be timed to reach the market during the second and third years of the forecast period. Table 9 shows estimated demand for new market-rate rental housing, by rent level, during the next 3 years.

Figure 17. Multifamily Building Permits Issued in the Southeast Submarket, 2000 to 2012



Notes: Excludes townhomes. Includes data through March 2012.

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, April 1, 2012 to April 1, 2015

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
850 to 1,049	950	1,050 to 1,249	780	1,250 to 1,449	65
1,050 to 1,249	320	1,250 to 1,449	280	1,450 to 1,649	40
1,250 to 1,449	240	1,450 to 1,649	210	1,650 to 1,849	30
1,450 or more	80	1,650 or more	140	1,850 or more	25
Total	1,575	Total	1,425	Total	160

Notes: Numbers may not add to totals because of rounding. The 700 units currently under construction will 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	1,211,617	1,275,124	1,287,000	0.5	0.7
Unemployment Rate	2.6%	9.0%	8.1%		
Nonfarm Payroll Jobs	1,211,200	1,193,500	1,219,000	– 0.1	1.7
Total Population	2,157,756	2,543,482	2,631,000	1.7	1.7
Total Households	852,153	1,004,696	1,024,000	1.7	1.0
Owner Households	570,232	646,530	648,800	1.3	0.2
Percent Owner	66.9%	64.4%	63.3%		
Renter Households	281,921	358,166	375,600	2.4	2.4
Percent Renter	33.1%	35.6%	36.7%		
Total Housing Units	891,007	1,078,837	1,090,000	1.9	0.5
Owner Vacancy Rate	1.1%	2.3%	1.9%		
Rental Vacancy Rate	4.4%	7.1%	5.8%		
Median Family Income	$61,307	$76,000	$75,900	2.2	– 0.1

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through March 2012. Median family incomes are for 1999, 2009, and 2010.

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	631,700	0.8	2.6
Total Households	239,235	263,107	270,800	1.0	1.5
Owner Households	125,539	131,529	133,000	0.5	0.6
Percent Owner	52.5%	50.0%	49.1%		
Rental Households	113,696	131,578	137,800	1.5	2.3
Percent Renter	47.5%	50.0%	50.9%		
Total Housing Units	251,435	285,797	289,300	1.3	0.6
Owner Vacancy Rate	1.7%	3.6%	2.5%		
Rental Vacancy Rate	4.5%	7.3%	5.4%		

Note: Numbers may not add to totals because of rounding.

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	Average Annual Change (%) 2010 to Current
Total Population	919,515	1,062,770	1,089,000	1.5	1.2
Total Households	354,315	407,180	412,600	1.4	0.7
Owner Households	255,274	281,869	281,800	1.0	0.0
Percent Owner	72.0%	69.2%	68.3%		
Rental Households	99,041	125,311	130,800	2.4	2.2
Percent Renter	28.0%	30.8%	31.7%		
Total Housing Units	372,291	438,941	442,200	1.7	0.4
Owner Vacancy Rate	0.8%	1.9%	1.7%		
Rental Vacancy Rate	4.1%	6.9%	6.0%		

Note: Numbers may not add to totals because of rounding.

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	Average Annual Change (%) 2010 to Current
Total Population	683,605	880,554	910,700	2.6	1.7
Total Households	258,603	334,409	341,000	2.6	1.0
Owner Households	189,419	233,132	233,980	2.1	0.2
Percent Owner	73.2%	69.7%	68.6%		
Rental Households	69,184	101,277	106,995	3.9	2.8
Percent Renter	26.8%	30.3%	31.4%		
Total Housing Units	267,281	354,099	358,900	2.9	0.7
Owner Vacancy Rate	1.0%	2.1%	1.8%		
Rental Vacancy Rate	4.9%	7.0%	6.0%		

Note: Numbers may not add to totals because of rounding.
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: 4/1/2012—Analyst's estimates
Forecast period: 4/1/2012–4/1/2015—Analyst's estimates

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 the U.S. Department of Housing and Urban Development's (HUD's) analysis, 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 www.huduser.org/publications/pdf/CMARtables_DenverCO_12.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 HUD's Economic and Market Analysis Division. 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 www.huduser.org/publications/econdev/mkt_analysis.html.