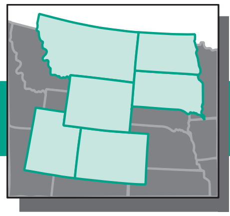
Housing Market Profile



Rocky Mountain • HUD Region VIII

Denver-Aurora-Boulder, Colorado

Located in north-central Colorado, the Denver-Aurora-Boulder metropolitan area encompasses 11 counties. The city of Denver, the state capital, is the hub of government activity and financial services for Colorado. The area is also a regional center for energy development, exploration, and production, with more than 26,000 employees working in energy-related industries. As of March 1, 2009, the population of the metropolitan area was estimated at 2.83 million, an increase of 42,900, or 1.6 percent, a year since 2000. Because of the availability of developable land, Adams, Arapahoe, and Douglas Counties together have accounted for more than 70 percent of the total population growth in the area since 2000.

Economic growth in the metropolitan area declined significantly during the past 6 months as the effects of the national recession and falling oil prices affected the local job market. During the 12 months ending February 2009, employment in the construction sector was down by 4,300 jobs due to weak housing and commercial real estate markets. With rising vacancies and lower rents in office and industrial buildings, the number of commercial buildings under construction was off by more than 70 percent in the first quarter of 2009 from the 150 buildings under way in the first quarter of 2008. In addition, in the past 12 months, the manufacturing sector lost a total of 2,600 jobs, primarily in nondurable manufacturing. Despite the recent declines, offsetting job gains occurred in the education and health services, other services, and government sectors, leaving total nonfarm employment for the 12 months ending February 2009 relatively unchanged at 1.4 million jobs. This figure compares with the 1.8-percent rate of nonfarm employment growth recorded during the previous 12-month period. The average unemployment rate for the 12 months ending February 2009 increased to 5.1 percent from 3.8 percent a year ago. Leading employers in the area include Qwest Communications International, Inc., Lockheed Martin Corporation, and HealthONE.

Although falling oil and natural gas prices contributed to a loss of 2,300 energy-related jobs during the first 2 months of 2009, major renewable energy projects al-ready under way will help offset some of these trends. In 2008, ConocoPhillips Company started construction on a $1 billion-plus renewable energy research and training center in Boulder County. When completed in 2030, the campus will employ more than 7,000 workers. The launch of this project has led to other renewable energy development projects in the area. Among them, Vestas Wind Systems A/S recently broke ground on a manufacturing plant that will employ 1,400 workers by 2010. Local home builders have continued a 4-year reduction in single-family home construction activity, as measured by the number of building permits issued, because of declining new home sales due to the slower economic conditions and tighter credit standards. During the 12-month period ending February 2009, the number of single-family building permits issued declined to 3,800 units, down 50 percent compared with the number issued during the same period a year ago and down 80 percent from the number issued during the recent peak year ending December 2005. Hanley Wood, LLC, reported that, during the 12 months ending February 2009, sales of new detached homes decreased by 48 percent to 4,200 units, an 18-year low, and the average new home sales price was relatively unchanged at $348,400. The market is considerably weaker in areas farthest from employment centers. Homes priced in the $250,000-to-$350,000 range and above the $500,000 price range also took longer to sell. Sales of new attached homes slowed but continued to represent a substantial portion of the new home market. Although sales of condominiums and townhomes were down 45 percent to 2,600 units during the 12 months ending February 2009, the number of new attached home sales accounted for nearly 40 percent of total new home sales, up from 35 percent recorded during the previous 12 months. The average sales price for all attached units decreased by more than 10 percent to $310,200 for the 12 months ending February 2009, primarily because of a slowdown in sales of higher priced downtown condominiums. One large luxury condominium development completed in downtown Denver, the 32-story One Lincoln Park, opened in late 2008 with 180 units. Prices start at $375,000 for a studio unit. At least seven more highrise condominium developments are under construction and are expected to be completed by 2011. Collectively, the developments will add more than 1,200 condominium units to the downtown housing market.

The existing home sales market in the Denver-Aurora-Boulder metropolitan area is also currently soft. According to the Denver Board of REALTORS®, during the 12 months ending February 2009, sales of existing attached and single-family homes were down 5 percent to 46,000 units compared with the 49,400 units sold during the 12 months ending February 2008. During the past 12 months, the average price of an attached home decreased by 2 percent to $172,900 and the average price of a single-family home declined by 12 percent to $271,500. The significant price decline for single-family homes was due in part to a relatively large volume of foreclosed homes priced at less than $170,000, which represented nearly 15 percent of single-family sales. As a result, the inventory of unsold homes declined by 20 percent to 20,100 units; many potential sellers have kept their homes off the market until conditions improve.

During the 12 months ending February 2009, multifamily construction in the Denver-Aurora-Boulder metropolitan area, as measured by the number of units permitted, decreased by 42 percent to 3,700 units. The decline was due to the soft sales market for attached homes over the past 4 years and, more recently, a softer rental housing market. According to the Home Builders Association of Metro Denver, although apartment construction was down by 20 percent, apartments still accounted for 75 percent of the multifamily units permitted during the 12-month period ending February 2009. In contrast, apartments accounted for 50 percent of multifamily permits issued during the previous 12-month period.

The rental housing market in the metropolitan area has softened from the balanced conditions of the past 3 years. According to *Apartment Insights*, published by Apartment Appraisers & Consultants, the average vacancy rate increased to 8.2 percent in the first quarter of 2009, up from 5.9 percent in the first quarter of 2008, and the average effective rent decreased by $24 to $788. By unit type, average rent for stabilized properties was $730 for a one-bedroom unit, $820 for a two-bedroom/two-bath unit, and $1,240 for a three-bedroom unit. Along with slow economic conditions, the completion of more than 4,000 apartment units during the past 12 months contributed to a softer market. In addition, another 4,000 units currently under construction are expected to come on line during the next 12 months.