Denver-Aurora-Broomfield, Colorado

The Denver-Aurora-Broomfield metropolitan area is located in north-central Colorado at the eastern edge of the Rocky Mountains. Major industries include tourism, health care, telecommunications, and high-technology manufacturing. Leading private employers include HealthONE, CenturyLink, Inc., and Lockheed Martin Corporation, with approximately 9,600, 7,400, and 7,200 employees, respectively. As a regional center for federal government agencies, and with the city of Denver as the state capital, public-sector employment is also important. The metropolitan area has more than 66,000 state and federal government employees. As of October 1, 2012, the population was estimated at 2.64 million, representing an average annual increase of nearly 44,000, or 1.7 percent, since 2010. Since the national economic recession, according to a Brookings Institution report, the metropolitan area has emerged as one of the top migration destinations in the nation for people ages 25 to 34. Despite modest employment growth since 2010, net in-migration averaged nearly 24,000 people a year compared with the net in-migration of fewer than 18,000 people annually from 2004 through 2009.

The economy of the metropolitan area began to recover in early 2011 after 2 years of job losses. During the 12 months ending August 2012, nonfarm payrolls averaged approximately 1.23 million jobs, an increase of 25,700 jobs, or 2.1 percent, compared with the number of jobs recorded a year earlier. By contrast, in 2009 and 2010, nonfarm payrolls declined by 53,300 and 6,300 jobs, or 4.3 and 0.5 percent, respectively. Job gains during the most recent 12 months were greatest in the professional and business services, the trade, transportation, and utilities, and the education and health services sectors, which increased by 8,400, 5,800, and 5,600 jobs, or 4.1, 2.5, and 3.8 percent, respectively. In addition, a rebound in residential building activity during the past year enabled the construction subsector to add more than 4,500 jobs, a 9-percent increase, after 3 years of payroll declines. During the most recent 12 months, only the government and information sectors recorded net job losses, with declines of 2,100 and 1,700 jobs, or 1.2 and 3.8 percent, respectively. Although state government subsector payrolls increased by 800 jobs, or 2.1 percent, local and federal government subsector payrolls declined by 2,700 and 200 jobs, or 2.4 and 0.7 percent, respectively. The unemployment rate averaged 8.0 percent during the 12 months ending August 2012, down from 8.7 percent a year earlier.

Employment gains and population growth have helped strengthen the sales housing market in the Denver-Aurora-Broomfield metropolitan area. Conditions are currently balanced, although prices and sales volume remain below their peaks. Based on data from CoreLogic, Inc., approximately 43,900 existing homes sold in the metropolitan area during the 12 months ending July 2012, an 18-percent increase from a year earlier. By comparison, from 2004 through 2006, existing home sales averaged nearly 59,000 homes a year. Existing home sales declined an average of 9 percent annually from 2007 through 2010 before stabilizing at about 39,000 homes a year in 2010 and 2011. Prices for existing homes averaged approximately $255,400 during the 12 months ending July 2012, up 3 percent from a year earlier. Prices peaked from 2005 through 2007, at about $272,000. Existing home prices declined to an average of $234,300 during 2008 and 2009, and then partially recovered to an average of $245,600 during 2010 and 2011. During the 12 months ending July 2012, new home prices averaged $357,400, up 4 percent from a year earlier. New home prices peaked at $381,100 during 2007 and 2008 before declining to an average of $338,300 from 2009 through 2011. The rise in sales activity during the past year sharply reduced the inventory of homes for sale. According to MetroList, Inc., fewer than 10,500 homes were available for sale in September 2012, representing a 2.7-month supply compared with the 4.6-month supply recorded a year earlier. During the same period, the average number of days on the market for homes sold declined from about 105 to 65 days. In a favorable sign, the number of distressed properties decreased in the past year. According to LPS Applied Analytics, 3.8 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) as of September 2012, down from 4.5 percent a year ago.

As housing market conditions have improved, residential construction activity, as measured by the number of homes permitted, has increased. Based on preliminary data, during the 12 months ending August 2012, approximately 4,850 single-family homes were permitted in the metropolitan area, a 38-percent increase from a year earlier. Single-family construction activity averaged more than 16,500 homes annually from 2004 through 2006, but it declined significantly during the following 2 years. Fewer than 4,000 single-family homes were permitted...
each year in 2008 and 2009, but construction partially rebounded in 2010 and 2011 to an average of 5,200 homes a year. In response to rising rental demand, multifamily building activity nearly tripled during the past year. According to preliminary data, approximately 6,400 multifamily units were permitted in the 12 months ending August 2012 compared with the fewer than 2,400 units permitted during the previous 12 months. Multifamily construction activity averaged nearly 5,400 units annually from 2006 through 2008, but it declined to an average of 1,400 units a year in 2009 and 2010.

Although multifamily building activity increased significantly during the past 12 months, rental construction activity lagged the growth in rental demand during the previous 4 years. As a result, rental market conditions in the Denver-Aurora-Broomfield metropolitan area are currently tight. According to Apartment Insights, the apartment vacancy rate in the metropolitan area was 4.8 percent in the third quarter of 2012, down from 5.0 percent a year earlier. During the same period, average apartment rents rose 7 percent, to $960. Apartment rents average about $825, $1,060, and $1,355 for one-, two-, and three-bedroom units, respectively. Concessions declined to an average of 1.5 percent of gross rent, the lowest level recorded in the metropolitan area for the past 10 years by Apartment Insights, and down from 2.7 percent a year ago. Centrally located areas in Denver County, including the Central Business District, Capitol Hill, Cherry Creek, and Washington Park, were among the tightest submarkets, with an average apartment vacancy rate of 4.1 percent in the third quarter of 2012. Many projects are in the development pipeline, however, so supply constraints may begin to ease within the next 1 to 2 years. Approximately 8,500 rental units are under construction in the metropolitan area, and nearly 17,000 units are in various stages of planning. The 300-unit Denargo Market, which is located in the River North area near downtown Denver, is one major project currently under construction, offering rents for one-, two-, and three-bedroom units of approximately $980, $1,340, and $1,850, respectively. Another project currently under way is the 272-unit Arista Uptown Apartments, in Broomfield, with rents expected to start at $1,045 and $1,375 for one- and two-bedroom units, respectively. Both projects are expected to be complete by mid-2013.