

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	34,350	24,350	6,850	10,200	14,000	7,425	13,500	6,725
Under construction	1,450	6,500	300	3,500	600	1,200	550	1,800

* Denver-Aurora-Lakewood HMA.

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of March 1, 2015. A portion of the estimated 23,000 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is March 1, 2015, to March 1, 2018.

Source: Estimates by analysts

Economic Conditions

The climate, location, recreational amenities, and job opportunities in and near the Denver HMA attract in-migration, contributing to growth in the economy and population and to the demand for housing. Economic conditions in the HMA are generally strong, and job growth has outpaced growth in the nation since 2010. Nonfarm payroll growth averaged 3.0 percent annually

from the end of 2010 through 2014 compared with a 1.6-percent annual growth rate nationally. During the 12 months ending February 2015, nonfarm payrolls averaged approximately 1.35 million jobs, an increase of 48,200 jobs, or 3.7 percent, from the previous 12 months (Table 2). The recent job gains in the HMA contrast with declines of 2.4 percent annually during 2009 and 2010, a consequence of the national recession. The current number of nonfarm payroll jobs is more than 7 percent greater than the previous recent peak of 1.25 million jobs in 2008. Payroll growth occurred in nearly every sector during the past 12 months. The unemployment rate averaged 4.6 percent during the 12 months ending February 2015, down from 6.3 percent a year earlier, as resident employment far outstripped labor force increases. Figure 1 shows trends in the labor force, resident employment, and the unemployment rate the HMA from 2000 through 2014.

From 1994 through 2000, the HMA had unusually strong economic growth, with nonfarm payrolls increasing by

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

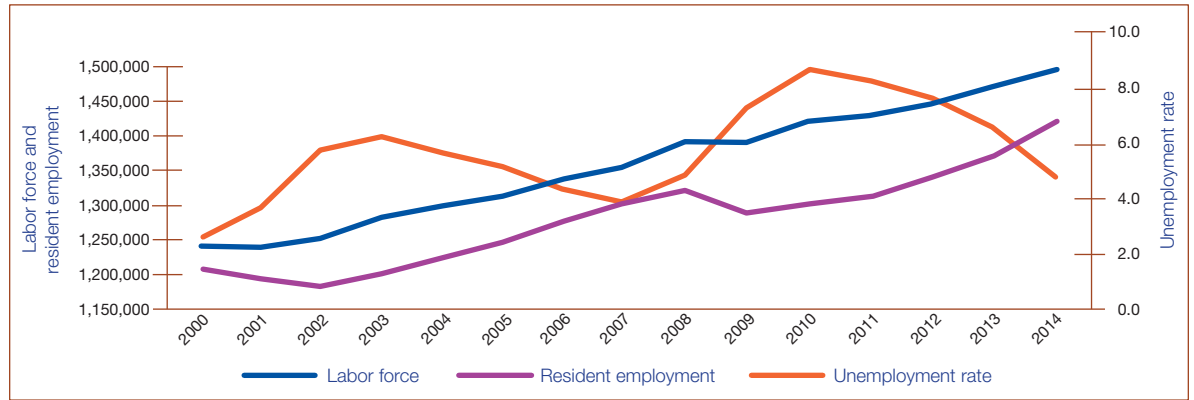
	12 Months Ending		Absolute Change	Percent Change
	February 2014	February 2015		
Total nonfarm payroll jobs	1,303,700	1,351,900	48,200	3.7
Goods-producing sectors	146,100	157,900	11,800	8.1
Mining, logging, & construction	82,200	92,300	10,100	12.3
Manufacturing	64,000	65,700	1,700	2.7
Service-providing sectors	1,157,600	1,194,000	36,400	3.1
Wholesale & retail trade	194,600	199,400	4,800	2.5
Transportation & utilities	49,400	51,100	1,700	3.4
Information	44,300	44,300	0	0.0
Financial activities	96,200	98,000	1,800	1.9
Professional & business services	234,400	242,200	7,800	3.3
Education & health services	161,200	169,800	8,600	5.3
Leisure & hospitality	142,700	149,000	6,300	4.4
Other services	50,900	53,000	2,100	4.1
Government	183,800	187,200	3,400	1.8

* Denver-Aurora-Lakewood HMA.

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through February 2014 and February 2015.

Source: U.S. Bureau of Labor Statistics

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Denver HMA,* 2000 Through 2014



* Denver-Aurora-Lakewood HMA.

Source: U.S. Bureau of Labor Statistics

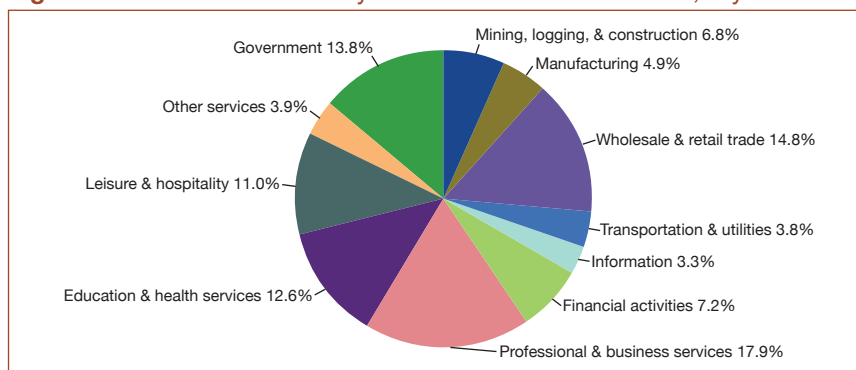
nearly 42,000 jobs, or 4.4 percent, a year, led by the rapid development of industries such as telecommunications and computer equipment manufacturing. By comparison, the national economy expanded 2.4 percent annually during the period. The bursting of the dot-com bubble in 2000 and the subsequent economic recession affected the economy of the HMA particularly hard. From the end of 2000 through 2003, nonfarm payrolls declined by an average of 17,700 jobs, or 1.5 percent, a year.

The professional and business services sector, the largest employment sector in the HMA, accounts for nearly 18 percent of all nonfarm payrolls (Figure 2). The sector increased by

7,800 jobs, or 3.3 percent, to an average of 242,200 jobs during the 12 months ending February 2015. The sector had average annual increases of 10,000 jobs, or 4.5 percent, from the end of 2010 through 2013. The sector mirrored overall economic growth in the HMA from 1994 through 2000, gaining an average of 4.8 percent annually. In response to the bursting of the dot-com bubble and the ensuing economic recession, the sector lost an average of 6,300 jobs, or 3.3 percent, a year from the end of 2000 through 2003. From the end of 2004 through 2008, the HMA economy expanded at a moderate rate of 1.8 percent annually, but the professional and business services sector increased by 8,000 jobs, or 4.1 percent, a year. During the local economic downturn in 2009, the sector decreased by 12,700 jobs, or 5.9 percent, to average 204,300 jobs, and sector employment remained essentially unchanged during 2010.

The wholesale and retail trade sector, the second largest sector in the Denver HMA, increased by 4,800 payrolls, or 2.5 percent, during the 12 months ending February 2015 compared with the number of jobs a year earlier, to an average of 199,400 jobs. Sector

Figure 2. Current Nonfarm Payroll Jobs in the Denver HMA,* by Sector



* Denver-Aurora-Lakewood HMA.

Note: Based on 12-month averages through February 2015.

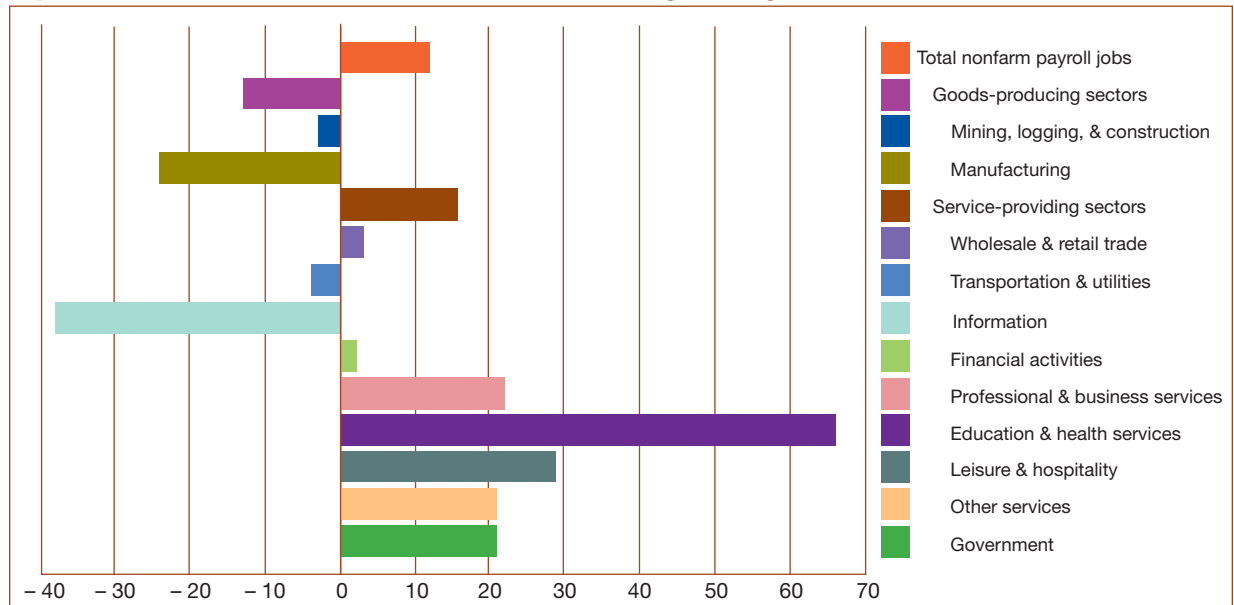
Source: U.S. Bureau of Labor Statistics

payrolls have recovered the number of jobs lost during the recent recession. Wholesale and retail trade sector payrolls averaged 194,100 jobs in 2008, and then decreased by 5,950 jobs, or 3.1 percent, annually through 2010. During the economic recovery from the end of 2010 through 2013, jobs increased by 3,800, or 2.1 percent, annually. On January 1, 2014, retail marijuana sales became legal in Colorado, after voter approval during the November 2013 elections. During 2014, the sales tax revenue from the first year of retail marijuana sales in the HMA exceeded \$20.6 million (Colorado Department of Revenue). The Denver County submarket accounted for approximately 84 percent of the retail marijuana sales tax revenue in the HMA during 2014, and the estimated number of jobs in the marijuana industry increased 52 percent in the submarket. During the fourth quarter of 2014, retail and medical marijuana-related employment averaged 2,400 jobs compared with 1,575 during the fourth quarter of 2013, and most of the increase was expected to be in jobs related to the emerging retail marijuana industry (City and County of Denver Marijuana Policy Team). As of February 2015, retail marijuana accounted for approximately 34 percent of all marijuana-related licenses issued and, in the Denver County submarket, licenses had been issued for 107 retail marijuana stores.

The government sector is the third largest employment sector in the HMA and has been a stable employment base since 2000. The city of Denver is the state capital of Colorado, and the HMA is a regional center for federal agencies, with 40,100 state government employees and 27,700 federal government employees. The sector

increased steadily from 2000 through 2013, rising 1.3 percent annually, declining only during 2004, by 600 jobs, or 0.4 percent. During the 12 months ending February 2015, the government sector averaged 187,200 jobs, an increase of 3,400 jobs, or 1.8 percent, from the previous 12 months, with gains of 3,600 jobs in the state and local government subsectors partially offset by a loss of 200 jobs in the federal government subsector.

The education and health services sector has grown by the most jobs since 2000 (Figure 3). During the 12 months ending February 2015, the sector averaged 169,800 jobs and grew 5.3 percent, the second-highest percentage growth of any sector in the Denver HMA from the previous 12-month period. Of the 10 largest employers in the HMA, 5 are in the education and health services sector (Table 3). The sector increased steadily during the previous decade, rising by an average of 4,050 jobs, or 3.4 percent, annually. During 2011 and 2012, jobs in the sector increased 3.6 percent annually, and the growth rate rose to 4.1 percent during 2013. The construction of new hospitals and expansions of current healthcare facilities supported job growth in the education and health services sector. The 820,000-square-foot Anschutz Medical Campus opened in 2007. A second inpatient facility, which was completed in 2011, added another 276 patient beds. At the same location, the 1.4 million-square-foot Children's Hospital Colorado also opened in 2007. The combined facilities at the Anschutz Medical Campus employ 16,000 staff and receive more than 60,000 visitors daily. The Sky Ridge Medical Center, which opened in 2003 in the Southeast submarket, has 286 patient beds and employs about

Figure 3. Sector Growth in the Denver HMA,* Percentage Change, 2000 to Current

* Denver-Aurora-Lakewood HMA.

Note: Current is based on 12-month averages through February 2015.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Denver HMA*

Name of Employer	Nonfarm Payroll Sector	Number of Employees
HealthONE LLC	Education & health services	8,360
CenturyLink, Inc.	Information	6,500
University of Colorado Health	Government	5,750
Children's Hospital Colorado	Education & health services	5,650
United Airlines, Inc.	Transportation & utilities	4,900
Centura Health	Education & health services	4,890
Lockheed Martin Corporation	Manufacturing	4,750
SCL Health	Education & health services	4,550
Kaiser Permanente®	Education & health services	4,380
Comcast Corporation	Information	4,370

* Denver-Aurora-Lakewood HMA.

Note: Excludes local school district, public administration, and retail employers.

Source: Metro Denver Economic Development Corporation, 2014

1,225 people. The Sky Ridge facility completed a \$117 million expansion in 2014, creating 90 additional beds and 300 additional healthcare jobs.

Employment in the mining, logging, and construction sector increased by the most jobs in the HMA during the 12 months ending February 2015, rising by 10,100 jobs, or 12.3 percent, to average 92,300 jobs. After the bursting of the tech bubble in 2000, sector employment declined by an average of 3,925 jobs, or 4.2 percent, annually

from the end of 2001 through 2004, as residential and nonresidential construction declined. Sector employment improved during 2005 and 2006, increasing by an average of 4,350 jobs, or 5.0 percent, annually, as residential building activity rose. During 2006, nonresidential construction was under way on the 300,000-square-foot U.S. Environmental Protection Agency regional headquarters in downtown Denver near Union Station. In addition, the Regional Transportation District

(RTD) Southeast Corridor transit line connecting downtown and the Denver Tech Center (DTC) was completed in November 2006. In response to declining economic conditions and the national recession, the mining, logging, and construction sector lost 6,200 jobs, or 7.3 percent, annually from the beginning of 2007 through 2011, to a low of 69,600 jobs in 2011, with 60 percent of those losses concentrated in 2009. During the period, residential construction declined nearly 18 percent annually, with a low of 4,050 housing units constructed in the HMA during 2009. During 2012 and 2013, sector employment grew substantially, rising by 5,200 jobs, or 7.2 percent, annually, as residential construction increased dramatically. Sector employment is still 3 percent lower than the most recent peak reached in 2006 and 6 percent lower than the peak reached during 2001.

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 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. Job centers in the Northwest submarket, which are more dispersed, include the Denver Federal Center in the city of Lakewood and the adjacent St. Anthony Medical Campus, which combined have more than 11,000 employees, and the Interlocken Business Park in the city of 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 are expected to increase an average of 2.6 percent a year, or approximately 32,200 jobs annually. Growth is expected to continue particularly in the professional and business services and the education and health services sectors. Adeptus Health, Inc., announced plans to build a hospital in the city of Broomfield. The hospital is expected to open in the spring of 2016 and employ about 300 people. The financial activities sector is also expected to contribute to job growth as Transamerica Corporation, an insurance and financial company, is relocating to the Denver HMA and adding approximately 325 employees during the fourth quarter of 2015. WorldRemit, a London-based financial company, is opening its North American headquarters in the Denver County submarket and is expected to employ approximately 220 people within 5 years. Construction of the new National Jewish-Saint Joseph Hospital, continuing development of the Denver Union Station neighborhood, and high levels of multifamily construction will support continued job growth in the construction subsector. In addition, work on the RTD FasTracks, a \$7 billion commuter and light-rail system, will continue through 2017. Completion of light-rail lines serving Denver International Airport and the western suburbs during 2015 and 2016 will support additional construction employment. Construction employment is also expected to increase after the announcement that Lockheed Martin Corporation recently began a \$263 million facility expansion in Jefferson County.

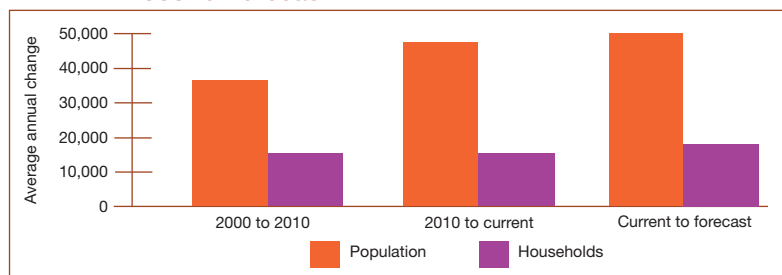
Population and Households

The current population of the Denver HMA is estimated at 2.8 million, an increase of 47,500, or 1.8 percent, a year since 2010. From 2000 through 2004, population increased 1.5 percent annually, as the bursting of the dot-com bubble and recession affected growth in the HMA. During the period, net in-migration fell from 26,800 people during 2000 to an average of 3,650 people annually from 2001 through 2004, accounting for less than 15 percent of population growth (Colorado State Demography Office). By comparison, from 1994 through 1999, net in-migration averaged 33,200 people annually, or nearly 60 percent of population growth. Despite job losses during 2009 and 2010, overall economic and housing market conditions generally improved from

mid-2005 through mid-2010, and population growth remained relatively strong, averaging 40,900 people, or 1.7 percent, annually, partially because of quality-of-life factors that attract people to the HMA. During the period, net in-migration increased, averaging 18,400 people annually, or nearly 40 percent of total population growth, from mid-2005 through mid-2010. Since 2010, net in-migration has nearly doubled to 28,600 people, or 60 percent of population growth annually, as job growth increased dramatically after the effects of the national recession wore off. Figure 4 shows population and household growth in the HMA, and Figure 5 shows the components of population change in the HMA, from 2000 to the forecast date.

The bursting of the dot-com bubble in 2000 significantly affected population growth in the Denver County submarket, whereas the recent national recession had a more moderate effect. Population growth in the submarket averaged 540 people, or 0.1 percent, annually from July 2000 to July 2005, with net out-migration averaging 5,500 people annually and more than 75 percent of out-migrants moving to the surrounding counties in the HMA (Colorado State Demography Office). As economic conditions improved and job growth increased in the HMA from 2005 through 2008, population growth in the submarket rose to 7,500 people, or 1.3 percent, annually, with net in-migration averaging 1,525 people annually. Despite the loss of nearly 60,000 jobs in the HMA during 2009 and 2010, net in-migration in the submarket increased to 5,700 people annually, boosting population growth to 2.0 percent a year. Approximately 40 percent of new migrants in 2009 and 2010 moved from California,

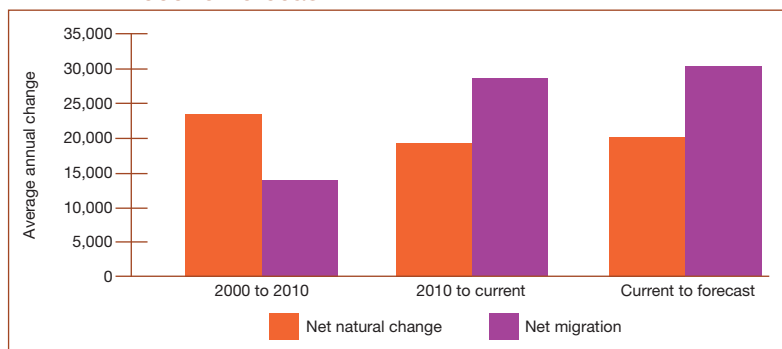
Figure 4. Population and Household Growth in the Denver HMA,* 2000 to Forecast



* Denver-Aurora-Lakewood HMA.

Notes: The current date is March 1, 2015. The forecast date is March 1, 2018.
Source: 2000 and 2010—population: Colorado State Demography Office, households: 2000 Census and 2010 Census; current and forecast—estimates by analysts

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



* Denver-Aurora-Lakewood HMA.

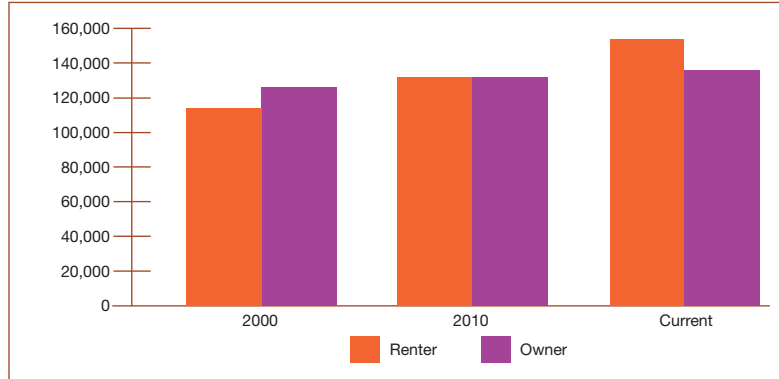
Notes: The current date is March 1, 2015. The forecast date is March 1, 2018.
Sources: 2000 and 2010—Colorado State Demography Office; current and forecast—estimates by analysts

Florida, and Michigan. Whereas the unemployment rate in the Denver County submarket peaked at 8.7 percent in 2010, the unemployment rates in those states peaked at 12.2, 11.1, and 12.6 percent, respectively. Although jobs were declining in the Denver HMA, the economic opportunities were relatively more favorable than in some other areas in the nation, resulting in the accelerated population growth. Since 2010, the population of the Denver County submarket has increased at an even higher rate, reflecting strong employment growth, averaging 14,500 people, or 2.3 percent, annually, with net in-migration constituting nearly 65 percent of population growth. The strong net in-migration since 2010 is nearly triple the average annual net in-migration from 2005 through 2010. The submarket has a current population of 671,400. Net in-migration to the Denver County submarket is expected to slow during the next 3 years. New residents will likely be attracted to increased transit and housing options in the outer submarkets, and population growth in the Denver County submarket is expected to slow to 1.8 percent annually.

The population of the Northwest submarket is estimated at 1.14 million, an increase of 15,900, or 1.5 percent, since 2010. The recent growth is stronger than the average of 12,200 people, or 1.2 percent, annually during the previous decade, largely because of increased net in-migration. From 2000 through 2010, net in-migration in the submarket averaged 3,425 people annually. Net in-migration has nearly tripled to 9,025 people annually, or about 60 percent of population growth, in the Northwest submarket since 2010 because of increased transit options and job opportunities in the Interlocken Business Park.

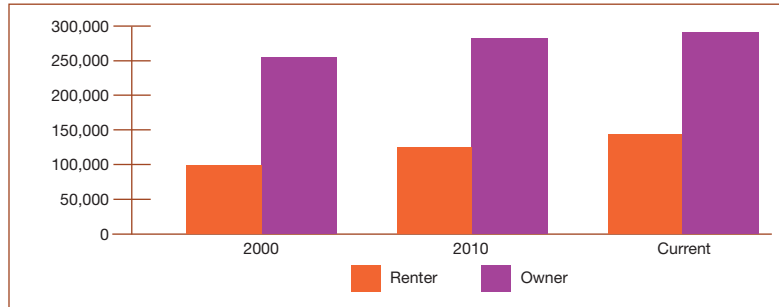
In the Southeast submarket, population growth averaged 19,700 people, or 2.6 percent, a year from 2000 through 2010 but has slowed to 16,950 people, or 1.9 percent, since 2010. The population is currently 963,800. More than 50 percent of the growth in the submarket from 2000 through 2010 occurred in Douglas County, where the population increased by 10,650, or 4.8 percent, annually. Douglas County was the fastest growing county in Colorado from 2000 through 2010. Net in-migration to the submarket during the previous decade averaged 11,050 people annually, partially because of the completion of the FasTracks light-rail line from downtown Denver south through DTC along the Southeast Corridor that was completed in 2006. Increased transit options and strong job growth in the DTC spurred population growth in the submarket. Since 2010, net in-migration has slowed slightly, to an average of 10,150 people annually, but still constituted 60 percent of overall population growth in the Southeast submarket.

The number of households in the Denver HMA increased by 15,250, or 1.7 percent, a year from 2000 through 2010, to 1.1 million households. Approximately 50 percent of household growth during the period occurred in the Southeast submarket, which benefited from the completion of the Southeast Corridor light-rail line. Delayed household formation in the HMA because of the effects of the national recession has slowed the increase in households to 1.5 percent annually since 2010. New households migrating to the HMA typically prefer to rent initially, increasing demand for rental housing. Builders have responded by increasing multifamily construction in the Denver County submarket since 2010. Consequently,

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

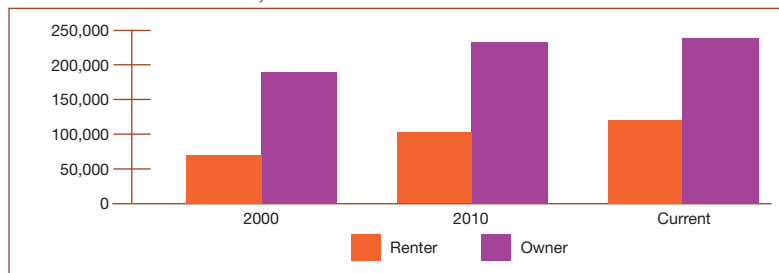
Note: The current date is March 1, 2015.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analysts

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

Note: The current date is March 1, 2015.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analysts

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

Note: The current date is March 1, 2015.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analysts

net out-migration from the submarket during the previous decade has reversed to strong net in-migration since 2010. Despite foreclosure rates well below the national average, homeownership rates in all three submarkets have declined since 2010 because of tight lending standards and limited availability of entry-level homes, encouraging households to rent. The homeownership rates in the Denver County, Northwest, and Southeast submarkets are currently estimated at 47.1, 66.7, and 66.5 percent, down from 50.0, 69.2, and 69.7 percent in 2010, respectively.

During the next 3 years, the population of the HMA is expected to increase by an average of 50,000, or 1.8 percent, a year. Approximately 60 percent of the growth is anticipated to be from net in-migration, which is expected to average 30,350 people a year. Household growth is expected to average 17,800, or 1.6 percent, annually during the next 3 years. Population and household growth is expected to be greatest in the Northwest and Southeast submarkets, where more land is available for relatively affordable housing developments and new light-rail lines and expansions of existing lines will connect residential areas to job centers. Figures 6, 7, and 8 show the number of households by tenure in each submarket from 2000 to the current date. Tables DP-1 through DP-4 at the end of the report show additional data.

Housing Market Trends

Sales Market—Denver County Submarket

Sales housing market conditions in the Denver County submarket are tight, with an estimated 1.1-percent vacancy rate, down significantly from 3.6 percent in April 2010 (Table DP-2). During the 12 months ending February 2015, 16,250 new and existing single-family homes, townhomes, and condominiums sold, an increase of 2 percent from a year earlier (CoreLogic, Inc., with adjustments by the analysts). Home sales reached a recent peak in 2005, totaling 18,250 sales, before declining precipitously to 11,200 sales during 2010, a decline of 1,400 home sales, or 9 percent, annually. Home sales remained stagnant from 2010 to 2011, increasing by only 60 sales. After 2 years of low home sales levels, however, the number of sales increased by 2,550, or more than 18 percent, annually during 2012 and 2013, largely because of an increase in existing home sales on the heels of the strong economic growth and increased access to credit. New home sales remain subdued. New home sales accounted for 1,100 sales, or 7 percent of total home sales, in 2012 and 2013, down from an average of 2,625 sales, or 15 percent of total sales, from 2000 through 2005. During the 12 months ending February 2015, home prices averaged \$352,200, up more than 6 percent from a year earlier. By comparison, whereas home sales declined 9 percent annually from 2005 through 2010, home prices declined only slightly more than 1 percent annually during the period. Although the price declines were not as dramatic as in the rest of the nation, many households chose to remain in their homes instead of selling at the reduced prices.

An increase of real estate owned (REO) sales that peaked in 2008 at 30 percent of 13,100 existing homes sold put some downward pressure on existing home prices. Sales prices for REO homes during 2008 averaged \$119,600 compared with \$305,700 for traditional resale homes. REO sales have since declined dramatically, to less than 4 percent of 15,100 existing homes sold during 2014, and total existing home sales prices rebounded to \$344,800 during the 12 months ending February 2015. Home prices remained relatively flat during 2010 and 2011 before increasing more than 11 percent annually from 2011 through 2013.

Total existing home sales in the Denver County submarket are hampered by low levels of for-sale inventory. During the fourth quarter of 2014, a 1.3-month supply of homes was for sale, down from a 2.1-month supply during the fourth quarter of 2013 and much less than the 6.2-month supply during the third quarter of 2007 (Denver Metro Association of Realtors®). During the 12 months ending February 2015, 15,100 existing homes sold, up less than 2 percent from a year earlier (CoreLogic, Inc., with adjustments by the analysts). Existing home sales decreased by 1,050 homes sold, or 8 percent, annually from 2005 through 2010. As a result of strong economic and population growth and increased access to loans, home sales increased by 1,550, or nearly 14 percent, annually from 2010 through 2013. Existing home sales returned to within 1 percent of the average of 15,200 homes sold annually in 2004 and 2005. The inventory of homes available, however,

is not keeping up with the demand for homes. Despite existing home sales prices that rose nearly 8 percent annually from 2009 through the 12 months ending February 2015, to \$344,800, existing homeowners are not listing homes for sale. Many existing homeowners are wary of selling their primary residence without an adequate supply of for-sale inventory to purchase (local real estate sources). This reluctance is limiting the availability of single-family homes for entry-level buyers throughout the Denver HMA, including the Denver County submarket.

The increase in home prices in the mid-2000s was not as pronounced in the HMA as in the rest of the nation, because the HMA was still recovering from the previous recession. As a result, the effects of the subsequent housing crisis also were less severe than they were in the nation. Of all home loans in the Denver County submarket, 1.4 percent were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status as of February 2015, down from 2.0 percent a year ago and less than the peak of 6.2 percent reached during December 2009 (Black Knight Financial Services, Inc.). By comparison, the percentage of loans that were seriously delinquent or had transitioned into REO status in the submarket was much lower than the 4.5-percent national rate during February 2015. Strong employment growth and increasing home values during the past 12 months helped reduce seriously delinquent loans and REO properties in the submarket and the HMA.

The condominium market in the Denver County submarket is very tight, with a 1.3-month supply of for-sale

inventory during February 2015, down from a 2.2-month supply a year earlier (Denver Metro Association of Realtors®). By comparison, the for-sale condominium inventory comprised a 5.4-month supply nationally in February 2015, essentially unchanged from a year earlier (National Association of Realtors®). The Construction Defect Action Reform Act (CDARA) of 2001 was established to protect homeowners from construction defects. It was revised in 2007 to expand the ability of high-density homeowners to sue developers as part of a class-action lawsuit. National home builders are not building condominiums in Colorado because of real or perceived costs and risks associated with construction defects, insurance, and the potential for construction defects lawsuits (Denver Regional Council of Governments, Denver Metro Housing Diversity Study 2013). Consequently, the supply of new condominium units in the HMA is very low. Construction of condominiums in the Denver County submarket, as measured by the number of homes permitted, averaged nearly 1,250 units annually from 2000 through 2007 before declining rapidly to an average of 180 units annually from 2008 through 2014. During February 2015, 440 condominiums were available for sale in the submarket, down from 760 a year earlier. Demand for condominiums remains strong, however, as 4,000 condominiums sold during the 12 months ending February 2015, equal the number sold a year earlier (Metrostudy, A Hanley Wood Company). By comparison, an average of 3,850 condominiums sold annually in the submarket during 2005 and 2006, before the national recession and CDARA revision. The high prices of detached single-family homes in the HMA are increasing

demand for relatively affordable condominiums and attached single-family homes. Existing condominium sales prices in the submarket averaged \$247,900 during the 12 months ending February 2015, up nearly 4 percent from \$239,000 a year ago.

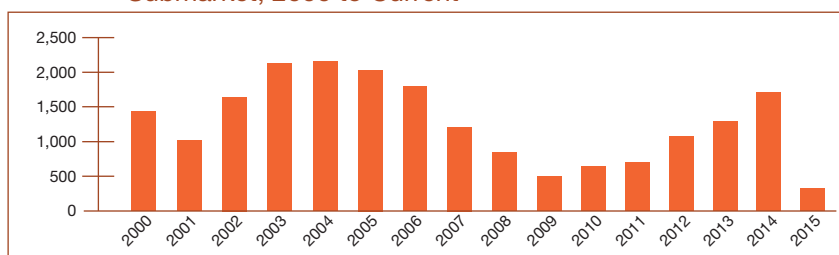
Despite improving economic conditions and net in-migration encouraging household growth, more affordable housing in the other submarkets is limiting new home sales in the Denver County submarket. New home sales increased nearly 10 percent, to 1,125, during the 12 months ending February 2015 from a year ago, and the average new home sales price increased about 1 percent, to \$451,700 (CoreLogic, Inc., with adjustments by the analysts). From 2005 through 2008, new home prices increased 11 percent annually, to \$427,600, the highest rate in the HMA, but home sales decreased 24 percent annually, to 1,275 new single-family homes sold, in 2008, during a period of moderate population growth and tightening lending requirements for mortgages. During the subsequent 2 years, the average price of a new home plummeted 13 percent annually to an average of \$323,800 in 2010, in part because builders responded to the moderate population growth and reduced access to lending by reducing the size of homes built. The average square footage of a new home decreased nearly 10 percent annually

to less than 2,275 square feet in 2010 (Metrostudy, A Hanley Wood Company). New home sales decreased less than 5 percent annually from 2008 to 1,150 homes sold during 2010. From 2010 through 2013, despite strong population and economic growth, new home sales declined 4 percent annually, to 1,025 sales, but the average price of a new home increased 11 percent annually, to \$447,700.

Moderate levels of net in-migration and household growth in the Denver County submarket from 2005 through 2010, coupled with the economic effects of the national recession and reduced availability of credit, discouraged homebuilding activity, as measured by the number of single-family homes permitted. Single-family permitting averaged 2,100 homes annually from 2003 through 2005 before declining more than 30 percent annually, to a low of 490 homes permitted during 2009 (Figure 9). Homebuilding activity began to recover in 2010, and new home construction increased 29 percent annually to 1,050 homes permitted in 2012. During the 12 months ending February 2015, 1,625 single-family homes were permitted in the submarket, a 16-percent increase from the 1,400 homes permitted during the previous 12 months, in response to improving sales market and economic conditions (preliminary data).

As the central city of the HMA, the Denver County submarket is largely built out, but areas of opportunity for development still exist. The site of the former Stapleton International Airport, which closed on the completion of Denver International Airport in 1995, is undergoing further development. Construction of new homes at the 4,700-acre site began in 2001. More

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



Notes: Includes townhomes. Current includes data through February 2015.

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

Housing Market Trends

Sales Market—Denver County Submarket *Continued*

than 6,100 of the 8,000 planned single-family homes have been built to date. Further development is expected at the Central Park Station in Denver's Stapleton neighborhood, along the RTD light-rail line from downtown Denver to Denver International Airport, which will include 1,000 multifamily units. Initial construction is expected to begin in 2016.

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		
325,000	399,999	3,425	50.0
400,000	499,999	2,050	30.0
500,000	749,999	1,025	15.0
750,000	and higher	340	5.0

Notes: The 300 homes currently under construction and a portion of the estimated 4,950 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is March 1, 2015, to March 1, 2018.

Source: Estimates by analysts

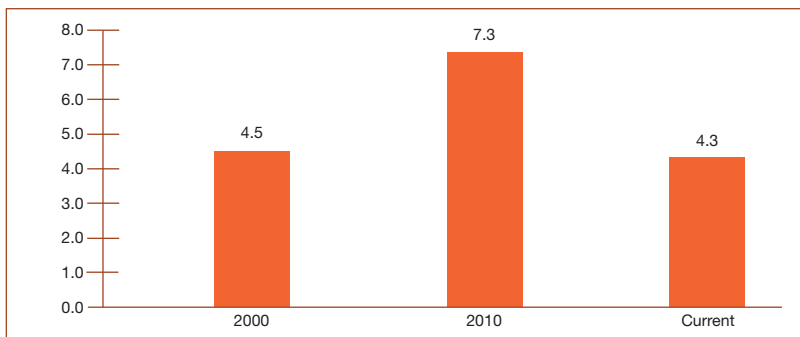
During the next 3 years, demand is expected for 6,850 new single-family homes, townhomes, and condominiums (Table 1). The 300 homes currently under construction and a portion of the 4,950 other vacant homes that may come back on the market will likely satisfy a portion of the forecast demand. Demand for new homes is anticipated to be strongest for new homes priced between \$325,000 and \$399,999. Low levels of buildable lot inventory and rising construction costs may keep upward pressure on new home sales prices, potentially limiting the availability of homes priced at these levels. Table 4 highlights the estimated demand for new market-rate sales housing, by price range, during the 3-year forecast period.

Rental Market—Denver County Submarket

The rental housing market in the Denver County submarket is currently slightly tight, with an overall vacancy rate of 4.3 percent, down from 7.3 percent during April 2010 (Figure 10). Strong net in-migration and low inventories of reasonably priced for-sale housing have contributed to rising rental demand since 2010. The apartment market in the submarket is tight, despite a high number of units entering the market. The apartment vacancy

rate was 3.9 percent during the fourth quarter of 2014, down from 4.9 percent a year earlier (*Apartment Insights*). The average apartment rent in the submarket was \$1,190 in the fourth quarter of 2014, up nearly 11 percent from a year ago. By comparison, the average apartment rent increased nearly 5 percent nationally (MPF Research). Monthly rents averaged \$970, \$1,050, \$1,380, and \$1,700 for studio, one-bedroom, two-bedroom, and three-bedroom units in the submarket, respectively.

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



Note: The current date is March 1, 2015.

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

Builders increased multifamily construction, as measured by the number of multifamily units permitted, to an average of 5,400 units annually during 2012 and 2013 but decreased construction to 3,975 units permitted during the 12 months ending February 2015 (preliminary data). This activity is more than double the average of 1,750 units permitted annually from

Housing Market Trends

Rental Market—Denver County Submarket *Continued*

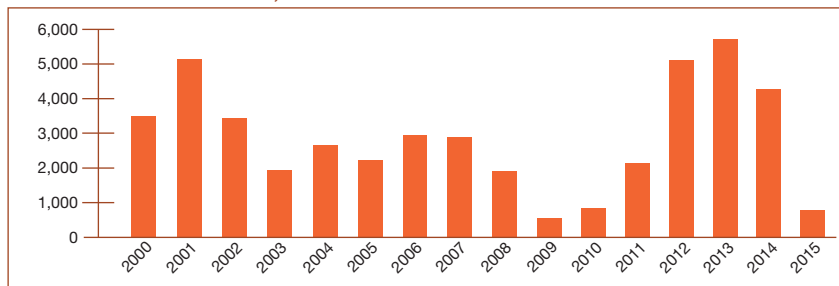
2005 through 2008 and much more than the average of 610 units permitted annually during 2009 and 2010. This dramatic increase is partly in response to average annual net in-migration since 2010 that is nearly triple the average of 3,200 annually from 2005 through 2010. Nearly all multifamily construction since 2007 has been for apartment units because construction of new condominiums is hampered by the expanded ability of condominium owners to sue developers, which resulted from the 2007 revision of CDARA. By comparison, from 2000 through 2007, approximately 60 percent of multifamily construction in the submarket was of apartment units. Figure 11 shows the number of multifamily units permitted in the Denver County submarket from 2000 to the current date.

In conjunction with the redevelopment and transit expansion surrounding Union Station, in downtown Denver, a concentration of new apartment

developments emerged. Recent completions and developments under way in the submarket include the 219-unit Cadence Union Station, which opened in January 2014. Rents for the studio, one-bedroom, and two-bedroom units start at \$1,625, \$1,900, and \$2,625, respectively. The project is still in lease up but leased at an average rate of approximately 14 units a month during the first year. Nearby, the 287-unit Platform at Union Station is expected to be complete in the spring of 2015. Rents for the studio, one-bedroom, and two-bedroom units are expected to start at \$1,250, \$1,525, and \$2,600 a month, respectively.

During the next 3 years, demand is estimated for 10,200 new rental units in the submarket (Table 1). The estimated 3,500 units currently under construction will meet a portion of the expected demand. In addition, projects in planning with construction scheduled or with final plan approval are expected to add another 2,000 units during the next 3 years. Any additional construction in the submarket, including many projects in various stages of planning, should be timed to enter the market during the second and third years of the 3-year forecast period. Table 5 shows the forecast demand for new market-rate rental housing in the submarket by rent level and number of bedrooms.

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



Notes: Excludes townhomes. Current includes data through February 2015.

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

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 Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,250 to 1,449	470	1,525 to 1,724	3,925	2,135 to 2,334	2,500	2,900 to 3,099	120
1,450 to 1,649	370	1,725 to 1,924	1,400	2,335 to 2,534	500	3,100 or more	120
1,650 or more	210	1,925 or more	280	2,535 or more	330		
Total	1,050	Total	5,625	Total	3,325	Total	240

Notes: Numbers may not add to totals because of rounding. The 3,500 units currently under construction will likely satisfy some of the estimated demand. The forecast period is March 1, 2015, to March 1, 2018.

Source: Estimates by analysts

Sales Market—Northwest Submarket

Sales housing market conditions in the Northwest submarket are tight, with an estimated 1.0-percent vacancy rate, down significantly from 1.9 percent in April 2010 (Table DP-3). During the 12 months ending February 2015, 25,700 new and existing single-family homes, townhomes, and condominiums sold, an increase of 3 percent from a year earlier (CoreLogic, Inc., with adjustments by the analysts). Total home sales reached a recent peak in 2004, totaling 31,100 sales, before declining precipitously to 16,700 sales during 2010, a decline of 2,400 home sales, or 10 percent, annually. Home sales remained stagnant from 2010 to 2011, increasing by only 60 sales. After 2 years of low home sales levels, however, the number of sales increased by 4,125, or more than 22 percent, annually during 2012 and 2013, largely driven by an increase in existing home sales. Existing home sales accounted for 90 percent of total home sales compared with an average of 78 percent of total home sales from 2002 through 2005. During the 12 months ending February 2015, home prices averaged \$290,500, up 8 percent from a year earlier. By comparison, whereas home sales declined 10 percent annually from 2004 through 2010, home prices declined only slightly more than 1 percent annually. Although home prices did not decrease much, uncertain economic conditions and limited access to lending interfered with household mobility.

Home prices remained relatively flat during 2010 and 2011 before increasing more than 9 percent annually from 2011 through 2013. An increase of REO sales that peaked in 2008 at 32 percent of home sales put some

downward pressure on home prices. Sales prices for REO homes during 2008 averaged \$144,100 compared with \$258,100 for regular resale homes. REO sales have since declined dramatically, to 4 percent of home sales during 2014, and home prices have rebounded.

Low levels of for-sale inventory in the submarket are putting upward pressure on home prices. During February 2015, a 1.5-month supply of single-family homes was for sale, down from a 2.1-month supply a year earlier (Denver Metro Association of Realtors®). Despite existing home sales prices that rose nearly 6 percent annually from 2009 through the 12 months ending February 2015, to \$276,500, existing homeowners are not listing homes for sale. During the 12 months ending February 2015, 23,250 existing homes sold, up less than 2 percent from a year earlier (CoreLogic, Inc., with adjustments by the analysts). Although existing home sales have generally recovered from the low of 15,400 sales averaged in 2010 and 2011, sales remain 5 percent less than the number of sales averaged annually from 2000 through 2005. Potential sellers remain concerned about the limited availability of replacement housing, keeping the overall supply of for-sale homes low. This concern is limiting the availability of single-family homes for entry-level buyers in the Northwest submarket. Consequently, many first-time buyers may look to purchase condominiums or townhomes.

As in the Denver County submarket, the increase in home prices before the housing crisis was not as pronounced

in the Northwest submarket as in the rest of the nation, because the Denver HMA was still recovering from the previous recession. As a result, the effects of the housing crisis were also less severe than in the nation. As of February 2015, 1.8 percent of home loans in the Northwest submarket were seriously delinquent or had transitioned into REO status, down from 2.4 percent a year ago and less than the peak of 6.0 percent during January 2010 (Black Knight Financial Services, Inc.). By comparison, the percentage of loans that were seriously delinquent or had transitioned into REO status in the submarket was far lower than the 4.5-percent national rate during February 2015. Strong employment growth and increasing home values during the past 12 months helped reduce seriously delinquent loans and REO properties in the Northwest submarket and the HMA.

The condominium market in the Northwest submarket is very tight, with a 0.7-month supply of for-sale inventory during February 2015 (Denver Metro Association of Realtors®). Developers limited high-density condominium development after the revision of CDARA legislation in 2007. Construction of condominiums, as measured by the number of units permitted, averaged 820 units annually from 2000 through 2007 in the submarket before declining rapidly to an average of 50 units annually from 2008 through 2014. During February 2015, 160 condominiums were available for sale in the submarket, down from 300 a year earlier. Because of strong demand for entry-level homes and high levels of net in-migration, nearly 230 condominiums sold in the submarket during February 2015, more than the number of new active

listings, putting upward pressure on prices. Approximately 2,350 condominiums sold during the 12 months ending February 2015, up 14 percent from a year earlier but 25 percent less than the annual average of 3,100 during 2005 and 2006 (Metrostudy, A Hanley Wood Company). Existing condominium sales prices in the Northwest submarket averaged \$154,100 during the 12 months ending February 2015, up more than 10 percent from \$140,000 a year ago. The relatively affordable condominiums for sale in the submarket, compared with single-family home prices, are attractive to first-time homebuyers in the Denver HMA. Builders increased the construction of multifamily rental housing, in part, to meet the demand for households that cannot purchase homes because of low levels of entry-level home supply.

Despite low numbers of buildable lots and rising construction costs, improving economic conditions and household growth led to increased new home sales in the Northwest submarket. New home sales increased 9 percent, to 2,400, during the 12 months ending February 2015 from a year ago (CoreLogic, Inc., with adjustments by the analysts). During the period, new home sales prices rose nearly 10 percent, to average \$415,600, as household formation in the submarket increased demand for new housing. From 2005 through 2008, the average price of a new home increased more than 4 percent annually, to \$334,800, but home sales plummeted 30 percent annually, from 6,750 sales in 2005 to 2,300 sales in 2008. Whereas the other submarkets in the HMA had sharp declines in new home prices from 2008 through 2011, the average price of a new home in the Northwest submarket decreased

Housing Market Trends

Sales Market—Northwest Submarket Continued

less than 1 percent annually, to \$328,100 in 2011. In 2012 and 2013, the average price increased 7 percent annually, to \$376,900, surpassing the previous peak during 2007, immediately before the national recession. Sales began to rebound in 2010, increasing nearly 20 percent annually to approximately 2,200 in 2013, but remain much less than sales from 2005 through 2007.

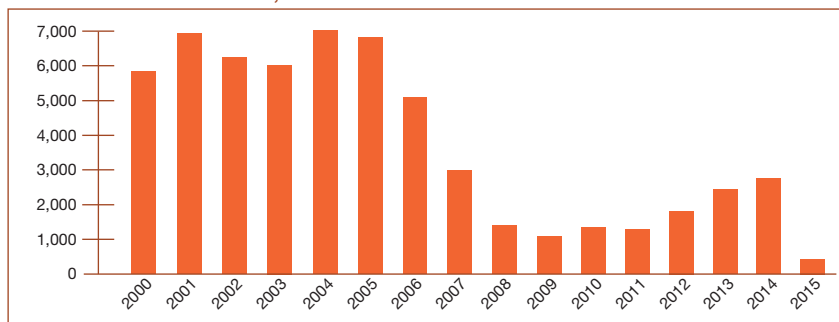
Demand for new homes decreased from the peak during 2005 to a low during 2010, and builders responded by decreasing homebuilding activity, as measured by the number of single-family homes permitted. Single-family permitting averaged 6,600 homes annually from 2003 through 2005 before declining nearly 37 percent annually to a low of 1,050 homes permitted

during 2009 (Figure 12). Single-family permitting has since recovered. During the 12 months ending February 2015, 2,825 single-family homes were permitted in the submarket, up more than 15 percent from the 2,425 homes permitted during the previous 12 months, in response to improving sales market and economic conditions (preliminary data).

Current single-family developments under way in the Northwest submarket include the Reunion community in Commerce City. The project is nearing completion, and new homes are offered beginning at \$240,000. Anthem Ranch, a community for households ages 55 and older, and Anthem Highlands are both part of Anthem Colorado, a 735-acre master-planned community in Broomfield. Anthem Highlands and Anthem Ranch offer two- to five-bedroom homes with prices beginning at \$360,000.

During the next 3 years, demand is expected for 14,000 new single-family homes, townhomes, and condominiums (Table 1). The 600 homes currently under construction and a portion of the 12,550 other vacant homes that may re-enter the market will likely meet a portion of the demand. Demand is anticipated to be strongest for new homes priced between \$200,000 and \$399,999. Low levels of buildable lot inventory and rising construction costs may keep upward pressure on new home sales prices, potentially limiting the availability of homes priced at these levels. Table 6 highlights the estimated demand for new market-rate sales housing, by price range, during the 3-year forecast period.

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



Notes: Includes townhomes. Current includes data through February 2015.

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

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		
200,000	399,999	9,100	65.0
400,000	499,999	2,800	20.0
500,000	749,999	1,825	13.0
750,000	and higher	280	2.0

Notes: The 600 homes currently under construction and a portion of the estimated 12,550 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is March 1, 2015, to March 1, 2018.

Source: Estimates by analysts

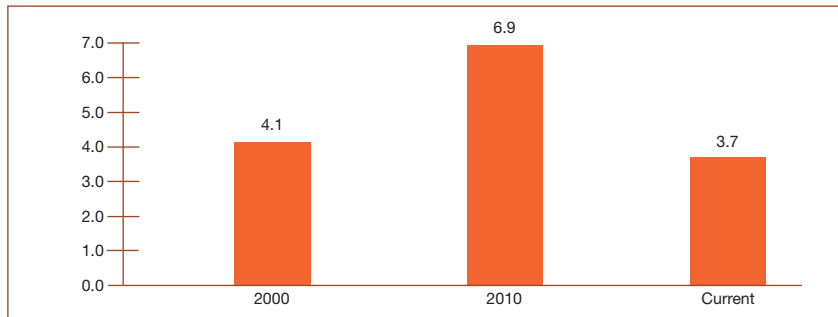
Rental Market—Northwest Submarket

The rental housing market in the Northwest submarket is currently tight, with an overall vacancy rate of 3.7 percent, down from 6.9 percent during April 2010 (Figure 13). The apartment market in the submarket is also tight, despite a high number of units entering the market, because of strong net in-migration fueling household growth. The apartment vacancy rate was 4.0 percent during the fourth quarter of 2014, unchanged from a year earlier (*Apartment Insights*). The average apartment rent in the submarket was \$1,130 in the fourth quarter of 2014, up 13 percent from a year ago. Monthly rents averaged \$790, \$970, \$1,250, and \$1,550 for studio, one-bedroom, two-bedroom, and three-bedroom units, respectively.

Multifamily construction increased during the past year. During the 12 months ending February 2015, 1,950 multifamily units were permitted, up from 1,075 units permitted a year earlier (preliminary data). Builders increased multifamily construction, as measured by the number of units permitted, in recent years to an average of 1,800 units annually during 2013 and 2014, more than double the average of 680 units annually from 2008 through 2012 (Figure 14). This dramatic increase is in response to average annual net in-migration of 9,200 people since 2010 that is nearly triple the average of 3,425 annually from 2000 through 2010. Increased net in-migration and multifamily construction are partly in response to the construction of two light-rail lines from the city of Denver through the western suburbs. The 11.2-mile Gold Line commuter light rail from Denver's Union Station west to Wheat Ridge began construction in late 2011 and will open to the public during 2016. The 12.1-mile West Line, completed in 2013, connects the city of Denver to the Federal Center and terminates at the Jefferson County Government Center in Golden. Transit-oriented developments within 1/4 mile of transit stations, primarily marketed to low-income or senior households, are in various stages of planning along both light-rail lines.

Current developments under way in the Northwest submarket include the 424-unit Camden Flatirons Apartments in Broomfield. The project is nearing completion, and rents for one- and two-bedroom units begin at \$1,210 and \$1,370, respectively. The Escape at Ken Caryl, a 250-unit project in Littleton, began construction in

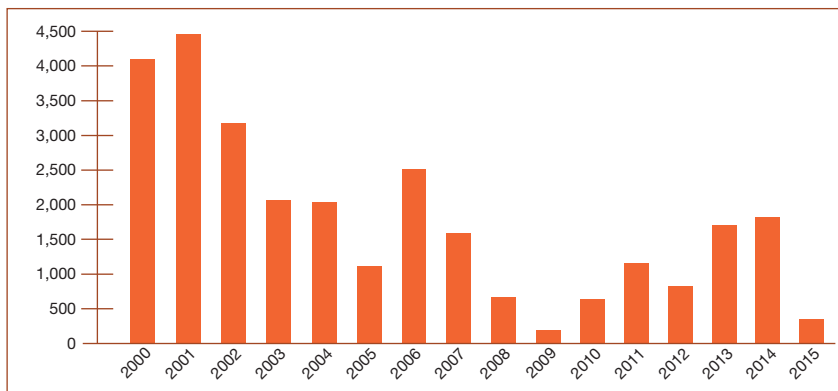
Figure 13. Rental Vacancy Rates in the Northwest Submarket, 2000 to Current



Note: The current date is March 1, 2015.

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

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



Notes: Excludes townhomes. Current includes data through February 2015.

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

Housing Market Trends

Rental Market—Northwest Submarket Continued

late 2014, with expected rents of \$1,200, \$1,575, and \$1,900 for one-, two-, and three-bedroom units, respectively.

During the next 3 years, demand is estimated for 7,425 new rental units in the submarket (Table 1). The estimated 1,200 units currently under

construction will meet a portion of the expected demand. Projects in planning with construction scheduled are expected to add another 280 units during the next 3 years. Table 7 shows the forecast demand for new market-rate rental housing in the Northwest submarket by rent level and number of bedrooms.

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 Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,200 or more	180	1,200 to 1,399	3,200	1,575 to 1,774	2,175	1,900 to 2,099	390
		1,400 to 1,599	380	1,775 to 1,974	440	2,100 to 2,299	110
		1,600 or more	190	1,975 or more	290	2,300 or more	55
Total	180	Total	3,750	Total	2,925	Total	560

Notes: Numbers may not add to totals because of rounding. The 1,200 units currently under construction will likely satisfy some of the estimated demand. The forecast period is March 1, 2015, to March 1, 2018.

Source: Estimates by analysts

Sales Market—Southeast Submarket

Sales housing market conditions in the Southeast submarket are tight, with an estimated 1.2-percent vacancy rate, down significantly from 2.1 percent in April 2010 (Table DP-4). During the 12 months ending February 2015, 24,400 new and existing single-family homes, townhomes, and condominiums sold, up less than 1 percent from a year earlier (CoreLogic, Inc., with adjustments by the analysts). Home sales reached a recent peak in 2005, totaling 30,300 sales, before declining precipitously to 15,800 sales during 2010, a decline of 2,900 home sales, or more than 12 percent, annually. Home sales rose slightly, by about 3 percent, from 2010 to 2011. After 2 years of moderately increasing home sales, however, the number of sales increased by 4,025, or more than 22 percent, annually during 2012 and 2013, largely driven by an increase in existing home sales. Existing home sales accounted for 89 percent of total home sales

during 2012 and 2013, up from an average of 72 percent annually from 2000 through 2006. During the 12 months ending February 2015, home prices averaged \$340,500, up 7 percent from a year earlier. By comparison, from 2005 through 2010, home prices declined only 2 percent annually although home sales declined 10 percent annually.

Home sales prices in the submarket fell moderately, by about 3 percent, during 2010 and 2011 before increasing more than 9 percent annually from 2011 through 2013. An increase of REO sales that peaked in 2008 at 27 percent of home sales put downward pressure on home prices. Sales prices for REO homes during 2008 averaged \$177,100 compared with an average of \$313,800 for a non-REO resale home. REO sales have since declined dramatically, to less than 3 percent of home sales during 2014, and home prices have rebounded.

Housing Market Trends

Sales Market—Southeast Submarket Continued

During February 2015, a 1.9-month supply of single-family homes was for sale in the Southeast submarket, down from a 2.7-month supply a year earlier (Denver Metro Association of Realtors®). Despite existing home sales prices that rose nearly 7 percent annually from 2009 through the 12 months ending February 2015, to \$325,800, many existing homeowners are not selling homes because the low inventory means replacement homes are scarce (CoreLogic, Inc., with adjustments by the analysts). This scarcity is limiting the availability of homes for entry-level buyers in the Denver HMA. Approximately 21,600 existing homes sold in the submarket during the 12 months ending February 2015, an increase of less than 1 percent from a year earlier. Although existing home sales increased 15 percent annually from 14,150 in 2010 to 21,475 in 2013, existing home sales remain 2 percent less than the average of 22,000 homes sold annually in 2004 and 2005.

As of February 2015, 1.7 percent of home loans in the Southeast submarket were seriously delinquent or had transitioned into REO status, down from 2.2 percent a year ago and less than the peak of 5.7 percent during January 2010 (Black Knight Financial Services, Inc.). By comparison, the rate of seriously delinquent loans and REO properties in the submarket was far lower than the 4.5-percent national rate during February 2015. The strengthening job market and rising home prices during the past 12 months helped reduce seriously delinquent loans and REO properties in the HMA at a higher rate than in the nation.

The Southeast submarket condominium market mirrors the markets in the Denver County and Northwest

submarkets, with a 0.8-month supply of for-sale inventory during February 2015 (Denver Metro Association of Realtors®). Builders constructed an average of 1,650 condominiums in the submarket from 2000 through 2007 in response to the completion of the mass transit FasTracks Southeast corridor. During this period, population growth in the HMA was strongest in the Southeast submarket, in response to the new transit options and employment opportunities around DTC. Developers limited high-density condominium development after the revision of CDARA in 2007. From 2008 through 2014, the number of condominiums constructed declined to an average of 80 units annually. Existing condominium sales prices in the submarket averaged \$156,600 during the 12 months ending February 2015, up nearly 10 percent from \$143,200 a year ago (Metrostudy, A Hanley Wood Company). The relatively affordable condominiums for sale in the submarket are attractive to first-time homebuyers in the Denver HMA, but the lack of new inventory is keeping upward pressure on prices.

Low numbers of buildable lots and rising construction costs are keeping downward pressure on new home sales in the Southeast submarket, despite strong demand from improving economic conditions and net in-migration encouraging household growth. New home sales increased 2 percent, to 2,850 sales, during the 12 months ending February 2015 compared with 2,775 sales a year ago. During the period, new home sales prices rose nearly 8 percent, to an average of \$446,500 (CoreLogic, Inc., with adjustments by the analysts). Reflecting economic conditions, home sales in the submarket decreased

Housing Market Trends

Sales Market—Southeast Submarket Continued

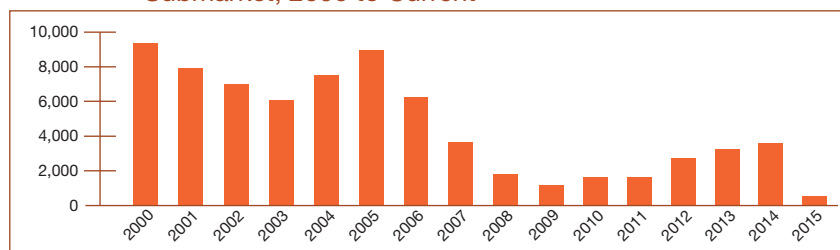
28 percent annually from 2005 to average about 1,600 new homes sold during 2010. As economic conditions improved beginning in 2011, new home sales increased 20 percent annually, to 2,475 in 2013. From 2005 through 2007, the average price of a new single-family home increased nearly 9 percent, to \$379,800. From 2007 through 2011, prices decreased 4 percent annually to \$325,600, in part because, like in the Denver County submarket, builders responded to changes in population growth and access to credit by decreasing the average square footage of a new home nearly 4 percent annually, to 2,800 square feet. In 2012 and 2013, the average sales price of a new home increased 9 percent annually, to \$384,700.

Net in-migration in the Southeast submarket declined from an average of 12,300 people annually from 2000 to 2005 to an average of 9,150 people annually from 2007 to 2009, as economic growth slowed. As a result of the slower population and economic growth, builders decreased the level of homebuilding activity, as measured by the number of homes permitted. Single-family permitting averaged 8,225 homes annually during 2004 and 2005 before declining nearly 39 percent annually to a low of 1,175 homes permitted during 2009 (Figure 15). Single-family

permitting has since recovered somewhat. During the 12 months ending February 2015, 3,550 single-family homes were permitted in the submarket, up from 3,275 homes permitted a year earlier, in response to improving sales market and economic conditions (preliminary data).

A large portion of single-family home development in the Southeast submarket is in Douglas County. In 2014, *Money* magazine ranked the town of Castle Rock in Douglas County as the fourth best place to live in the nation. Construction began in 1986 on The Meadows, a master-planned community in Castle Rock, with nearly 12,900 lots planned. Approximately one-half of the planned lots remain, and the community is not expected to be built out for another 15 years. The price of a new home with three bedrooms and two and a half bathrooms in the 137-lot Tyler Park subdivision of The Meadows starts at about \$294,000. Construction in Tyler Park began in the third quarter of 2014, and 42 homes are currently under way. The 108-lot Leafdale subdivision in The Meadows offers homes with three bedrooms and two bathrooms starting at \$414,000. Construction in the Leafdale subdivision began during the third quarter of 2014, and 5 homes are complete, with 21 homes currently under construction. In northern Douglas County, the RidgeGate community in the city of Lone Tree is under construction near the Sky Ridge Medical Center and the Southeast Corridor light-rail terminus. The 2.3-mile Southeast Corridor Light Rail extension recently approved by voters will continue south through RidgeGate. When complete, the Southeast extension will connect the planned 12,000-home RidgeGate community

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



Notes: Includes townhomes. Current includes data through February 2015.

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

to DTC and downtown Denver, increasing commuting options within the HMA. Construction of homes in RidgeGate West Village began in 2004, and the 2,500 homes are expected to be complete by 2018. The price for a new home in West Village with two bedrooms and two bathrooms starts at \$528,000. The remaining 9,500 homes in the community are expected to be built in the RidgeGate East Village during the next 40 years, and prices are not yet available.

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		
260,000	399,999	7,825	58.0
400,000	499,999	2,975	22.0
500,000	749,999	1,625	12.0
750,000	and higher	1,075	8.0

Notes: The 550 homes currently under construction and a portion of the estimated 5,500 other vacant units in the submarket will likely satisfy some of the forecast demand. The forecast period is March 1, 2015, to March 1, 2018.

Source: Estimates by analysts

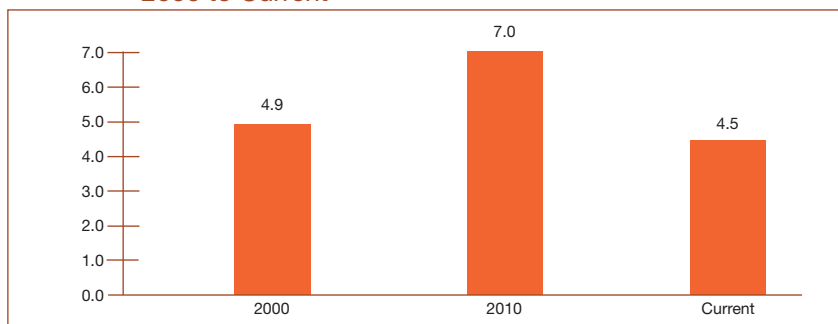
During the next 3 years, demand is expected for 13,500 new single-family homes, townhomes, and condominiums (Table 1). This demand is a response to stronger net in-migration supporting household growth in the submarket during the 3-year forecast period. The 550 homes currently under construction and a portion of the 5,500 other vacant homes that may return to the market will meet a portion of the demand. Demand is anticipated to be strongest for new homes priced between \$260,000 and \$399,999. Low levels of buildable lot inventory and rising construction costs may keep upward pressure on new home sales prices, potentially limiting the availability of homes priced at these levels. Table 8 highlights the estimated demand for new market-rate sales housing, by price range, during the forecast period.

Rental Market—Southeast Submarket

The rental housing market in the Southeast submarket is currently slightly tight, with an overall vacancy rate of 4.5 percent, down from 7.0 percent during April 2010 (Figure 16). Strong net in-migration and low inventories of reasonably priced for-sale housing contributed to rising rental demand. The apartment market in the submarket

is also slightly tight, with a 4.2-percent vacancy rate during the fourth quarter of 2014, up slightly from the rate of 4.0 percent a year earlier (*Apartment Insights*). The average apartment rent in the submarket was \$1,160 in the fourth quarter of 2014, up 13 percent from a year ago. Monthly rents averaged \$800, \$990, \$1,260, and \$1,680 for studio, one-bedroom, two-bedroom, and three-bedroom units, respectively.

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



Note: The current date is March 1, 2015.

Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analysts

Builders increased multifamily construction, as measured by the number of multifamily units permitted, to an average of 1,825 units annually from 2012 through 2014, more than double the average of 700 units annually from 2009 through 2011 (Figure 17). This dramatic increase is partly in response to improving economic conditions, tight mortgage lending standards, and

an increased preference toward rental housing. In addition, with limited availability of entry-level home inventory for first-time homebuyers, many would-be owner households are remaining in rental units. Builders responded to the increased demand for multifamily rental units from these households and the increased net in-migration by increasing multifamily construction. Permitting decreased during the past year but remained elevated because builders are encouraged by low vacancy rates and strong rent growth. During the 12 months ending February 2015, 1,850 multifamily units were permitted, a decrease from 2,400 units permitted a year earlier (preliminary data).

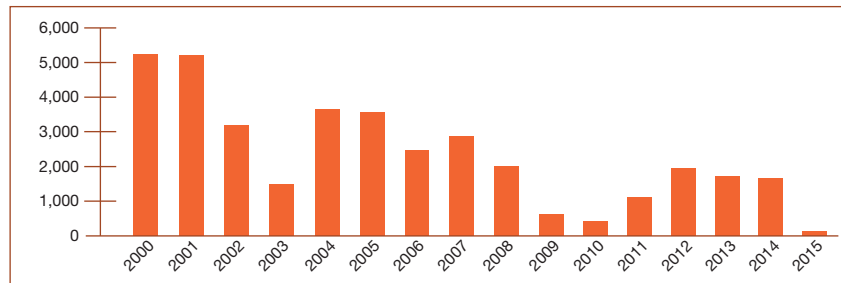
The construction of RTD FasTracks transit corridors, linking the submarket to downtown Denver, encouraged strong net in-migration and household growth in the Southeast submarket. The 19-mile Southeast Corridor Light Rail line runs from downtown Denver

south to Lincoln Avenue. Construction began on the Southeast Corridor in 2004 and was completed in 2006. After the light-rail line was complete, an average of 1,925 apartments were built annually in the submarket from 2006 through 2008, and net in-migration averaged 11,700 people annually.

Recent developments under way in the Southeast submarket include the 300-unit Kent Place Apartments in Englewood. The project recently began construction and is expected to be complete in late 2016. Asking rents are expected to be \$1,700, \$2,450, and \$3,200 for one-, two-, and three-bedroom units. Construction of the Elevation at County Line Station Apartments began in April 2014 and is expected to be complete in early 2016. Rents at the 265-unit project range from \$1,175 for one-bedroom units to \$2,350 for three-bedroom units.

During the next 3 years, demand is estimated for 6,725 new market-rate rental units in the submarket (Table 1). The estimated 1,800 units currently under construction will meet a portion of the expected demand. Although the submarket currently has no proposals with construction scheduled, a number of projects are in various stages of planning. Table 9 shows the forecast demand for new market-rate rental housing in the Southeast submarket by rent level and number of bedrooms.

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



Notes: Excludes townhomes. Current includes data through February 2015.

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

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 Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,095 or more	220	1,175 to 1,374	2,825	1,750 to 1,949	1,950	2,140 to 2,339	170
		1,375 or more	310	1,950 to 2,149	600	2,340 or more	170
				2,150 or more	450		
Total	220	Total	3,150	Total	3,000	Total	350

Notes: Numbers may not add to totals because of rounding. The 1,800 units currently under construction will likely satisfy some of the estimated demand. The forecast period is March 1, 2015, to March 1, 2018.

Source: Estimates by analysts

Data Profiles

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

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	1,208,565	1,277,671	1,167,000	0.6	- 2.2
Unemployment rate	2.6%	8.8%	4.6%		
Nonfarm payroll jobs	1,211,200	1,193,600	1,239,000	- 0.1	0.9
Total population	2,179,240	2,543,482	2,777,000	1.6	1.8
Total households	852,153	1,004,696	1,079,600	1.7	1.5
Owner households	570,232	646,530	662,600	1.3	0.5
Percent owner	66.9%	64.4%	61.4%		
Renter households	281,921	358,166	417,000	2.4	3.1
Percent renter	33.1%	35.6%	38.6%		
Total housing units	891,007	1,078,837	1,128,000	1.9	0.9
Owner vacancy rate	1.1%	2.3%	1.0%		
Rental vacancy rate	4.4%	7.1%	4.1%		
Median Family Income	\$58,600	\$76,000	\$77,800	2.6	0.6

* Denver-Aurora-Lakewood HMA.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through February 2015. Median Family Incomes are for 1999, 2009, and 2013. The current date is March 1, 2015.

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

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

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total population	554,636	600,158	671,400	0.8	2.3
Total households	239,235	263,107	289,400	1.0	2.0
Owner households	125,539	131,529	136,200	0.5	0.7
Percent owner	52.5%	50.0%	47.1%		
Rental households	113,696	131,578	153,200	1.5	3.1
Percent renter	47.5%	50.0%	52.9%		
Total housing units	251,435	285,797	302,700	1.3	1.2
Owner vacancy rate	1.7%	3.6%	1.1%		
Rental vacancy rate	4.5%	7.3%	4.3%		

Notes: Numbers may not add to totals because of rounding. The current date is March 1, 2015.

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

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	1,141,000	1.2	1.5
Total households	354,315	407,180	432,200	1.4	1.2
Owner households	255,274	281,869	288,200	1.0	0.5
Percent owner	72.0%	69.2%	66.7%		
Rental households	99,041	125,311	144,000	2.4	2.9
Percent renter	28.0%	30.8%	33.3%		
Total housing units	372,291	438,941	453,000	1.7	0.6
Owner vacancy rate	0.8%	1.9%	1.0%		
Rental vacancy rate	4.1%	6.9%	3.7%		

Notes: Numbers may not add to totals because of rounding. The current date is March 1, 2015.

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

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	963,800	2.6	1.9
Total households	258,603	334,409	358,000	2.6	1.4
Owner households	189,419	233,132	238,200	2.1	0.4
Percent owner	73.2%	69.7%	66.5%		
Rental households	69,184	101,277	119,800	3.9	3.5
Percent renter	26.8%	30.3%	33.5%		
Total housing units	267,281	354,099	371,900	2.9	1.0
Owner vacancy rate	1.0%	2.1%	1.2%		
Rental vacancy rate	4.9%	7.0%	4.5%		

Notes: Numbers may not add to totals because of rounding. The current date is March 1, 2015.

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

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 3/1/2015—Analysts' estimates
 Forecast period: 3/1/2015–3/1/2018—Analysts' estimates

The metropolitan statistical area definition in this report is based on 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 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 analysts, 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_Denver-Aurora-LakewoodCO_15.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 huduser.gov/portal/ushmc/chma_archive.html.