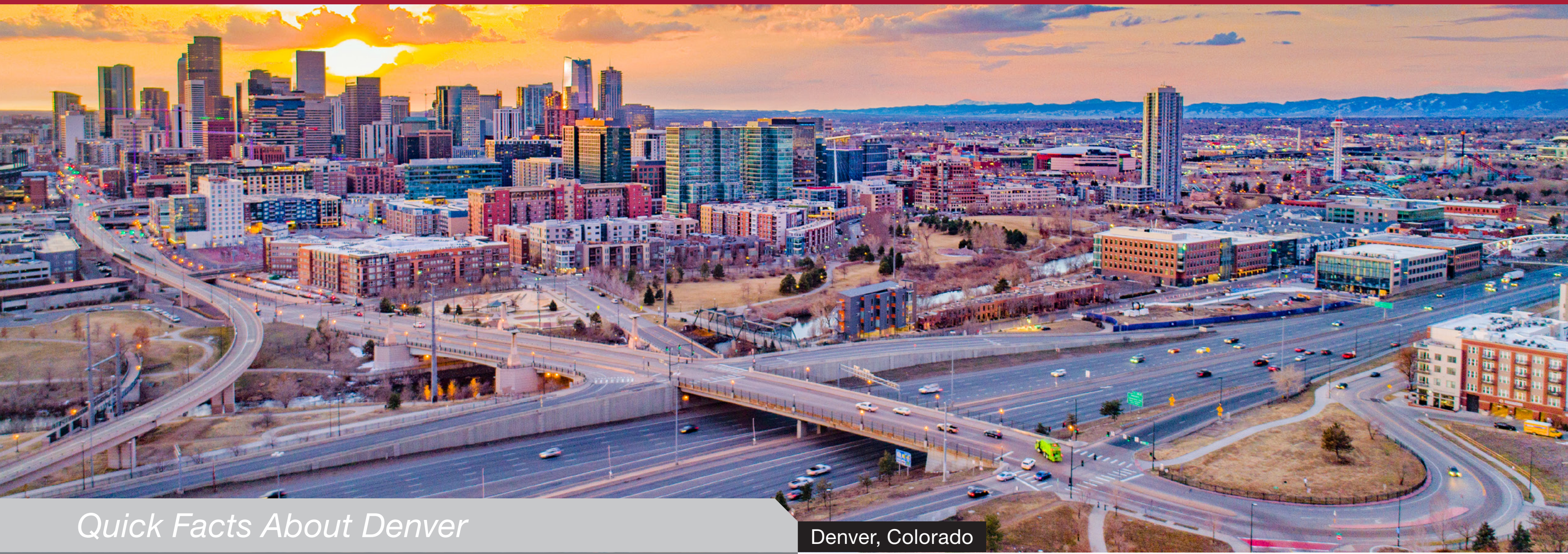
HUD PD&R **Housing Market Profiles**

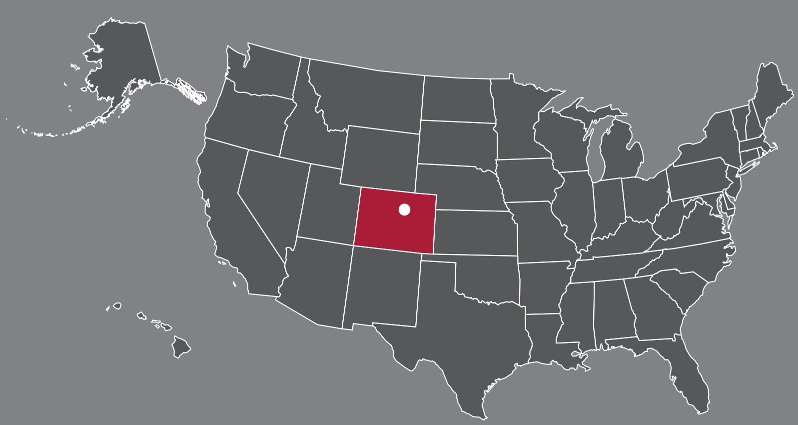
Denver-Aurora-Lakewood, Colorado



Denver, Colorado

Quick Facts About Denver

- **Current sales market conditions: slightly tight but easing**
- **Current apartment market conditions: balanced**
- **The Denver metropolitan area ranks fourth in “The Best Places for Business and Careers” (2019) published by *Forbes*, and 10 of the *Forbes* Fortune 500 companies are headquartered in the metropolitan area, led by Arrow Electronics, Inc., which was ranked number 104 (2022).**



By Katharine Jones | As of August 1, 2022

Overview

The Denver-Aurora-Lakewood, CO metropolitan area (hereafter, Denver metropolitan area) is coterminous with the metropolitan statistical area of the same name. Located in north-central Colorado at the eastern edge of the Rocky Mountains, the metropolitan area spans 10 counties and includes the state capital of Denver. The state government has historically anchored the local economy, but broad growth in all other sectors offset slight declines in the government sector during the past year. The job growth attracts in-migration into the metropolitan area, increasing housing demand. Overall residential construction in 2021, as measured by homes permitted, was at its highest level since at least 1980. Multifamily construction reached a record high in 2021, and single-family homebuilding activity was also strong, but below levels from the early 2000s.

- The current population of the Denver metropolitan area is estimated to be 3.01 million. The population increased an average of 1.8 percent annually from 2010 to 2015, 62 percent of which was from net in-migration. Population growth has since slowed to an average of 1.0 percent annually, and 55 percent of the growth was from net

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in-migration. Rising affordability concerns in the Denver metropolitan area have contributed to the slowdown in migration; movers choose areas in the surrounding metropolitan areas with lower housing costs and within commuting distances, such as portions of the Boulder, Colorado Springs, and Greeley metropolitan areas.

- From April 2010 to April 2020, the population increased in all counties in the Denver metropolitan area, and the fastest rates of growth were in Broomfield and Douglas Counties, up an average of 2.9 and 2.3 percent, respectively, each year (U.S. Census Bureau Decennial Census). The suburban areas grew faster than the 1.8-percent growth in the City and County of Denver (hereafter, Denver County).
- Denver County accounts for 30 percent of the population in the metropolitan area, but because of stronger growth in the suburban counties, the population growth in the county accounted for 27 percent of the metropolitan area population growth.
- The number of households in the metropolitan area increased by an average of 14,850 each year since 2010 to an estimated 1.19 million households as of August 1, 2022. Renter households grew at twice the rate of owner households since 2010, resulting in the homeownership rate decreasing from 64.4 percent to an estimated 61.4 percent currently.

Economic Conditions

Tight labor market conditions persisted from 2016 through 2019 and ended when the early-2020 recession caused by the COVID-19 pandemic disrupted the economy. Job growth averaged 3.2 percent a year from 2011 until 2015 but slowed to an average annual growth rate of 2.4 percent from 2016 through 2019. The slower growth is partly attributable to low labor force participation rates, which limited the number of available workers and contributed to lower unemployment rates. The unemployment rate from 2016 through 2019 never exceeded 3 percent. The tight labor market conditions subsided in 2020, when the pandemic-related recession contributed to the loss of 186,400 jobs, or 12 percent of total nonfarm payrolls, during March and April 2020, and the unemployment rate spiked to 12.4 percent in May 2020 (monthly data, not seasonally adjusted). The economy has since recovered. On a monthly basis, the number of jobs lost were recovered by November 2021, and the economy has expanded since then. The unemployment rate in the metropolitan area averaged 3.2 percent during the 3 months ending July 2022, down from 5.9 percent a year earlier but still above the 2.4 percent rate during the same period of 2019. During the past year, the strong 5.5-percent growth in resident employment far surpassed the 2.5-percent gain in the labor force, causing the declining rate.

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During the 3 months ending July 2022, payrolls in the Denver metropolitan area increased from a year earlier in all nonfarm sectors except for the government sector.

	3 Months Ending		Year-Over-Year Change	
	July 2021 (Thousands)	July 2022 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,520.4	1,585.2	64.8	4.3
Goods-Producing Sectors	179.5	189.1	9.6	5.3
Mining, Logging, & Construction	109.5	115.5	6.0	5.5
Manufacturing	70.0	73.7	3.7	5.3
Service-Providing Sectors	1,340.9	1,396.0	55.1	4.1
Wholesale & Retail Trade	210.8	213.9	3.1	1.5
Transportation & Utilities	68.7	73.2	4.5	6.6
Information	52.5	54.1	1.6	3.0
Financial Activities	115.3	115.5	0.2	0.2
Professional & Business Services	290.4	316.2	25.8	8.9
Education & Health Services	191.7	193.2	1.5	0.8
Leisure & Hospitality	154.1	168.7	14.6	9.5
Other Services	58.3	62.4	4.1	7.0
Government	199.0	198.9	-0.1	-0.1
Unemployment Rate	5.9%	3.2%		

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

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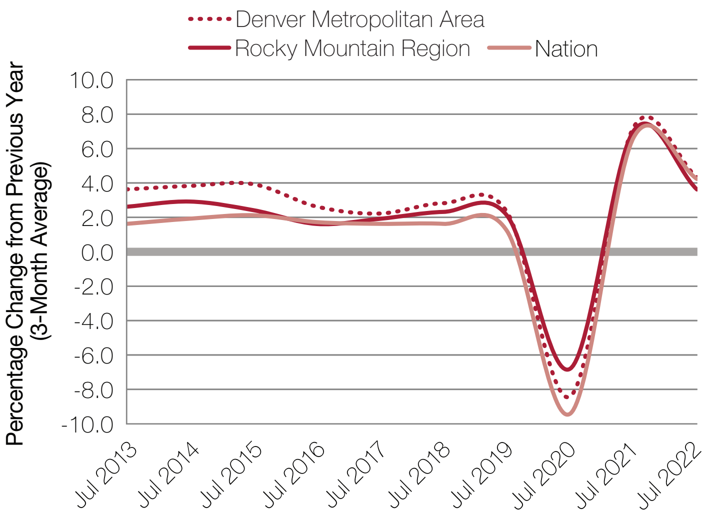
During the 3 months ending July 2022—

- Total nonfarm payrolls increased by 64,800 jobs, or 4.3 percent, compared with a year earlier, to an average of 1.59 million jobs; the number of jobs is 2 percent higher than the average during the 3 months ending July 2019. The strongest year-over-year growth, by sector, was in the professional and business services sector, which increased by 25,800 jobs, or 8.9 percent, to 316,200 and are currently 12 percent above the jobs total during the same period in 2019.
- The leisure and hospitality sector had the fastest rate of job growth from a year earlier, adding 14,600 jobs, or 9.5 percent, but the job total remains 5 percent lower than during the same period in 2019. This sector was the most impacted during the recent economic downturn, losing 61,600 jobs, or 34.5 percent, during the 3 months ending July 2020, compared with a year earlier. During the first half of 2022, two hotels, with a total of nearly 470 rooms, opened in downtown Denver.
- The transportation and utilities sector has had the strongest recovery from the recession of early 2020 and is currently 13 percent higher than during the same period in 2019. Increasing demand for online purchases and deliveries during the pandemic accelerated a preexisting trend and supported the increase of 4,500 jobs, or 6.6-percent growth, during the 3 months ending July 2022, compared with a year ago. In September 2021, Amazon.com, Inc. announced plans to hire 2,700 workers and an unspecified number of delivery drivers in the metropolitan area by the end of the year.
- Small declines occurred in the government sector, which fell by 100 jobs, or 0.1 percent. Because of the state capital and a concentration of federal agencies located at the Denver Federal Center, the government sector typically provides stability in the local economy. State and local government education services jobs declined during the past year because of difficulty in filling opening positions—a trend affecting universities and school districts nationally.

The Denver International Airport (DIA) is the largest employer in the metropolitan area and has an annual statewide economic impact of $33.5 billion (Colorado Department of Transportation 2020 report). DIA serves most of Colorado and large areas of surrounding states as a regional hub for air cargo and passenger travel. Airport activity supports many job sectors in the metropolitan area. Cargo transported through the DIA contributes to the trade and transportation and utilities sectors as consumers increasingly rely upon delivery services for goods purchased online. DIA was ranked the third busiest airport worldwide in 2021 in terms of passenger traffic (Airports Council International). In 2021, approximately 58.8 million passengers

Nonfarm payroll gains in the Denver metropolitan area outpaced the nation since 2013, but the trends have converged during the past year.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Denver Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Denver International Airport	Transportation & Utilities	35,000
Lockheed Martin Corporation	Manufacturing	14,000
HealthONE	Education & Health Services	11,050

Note: Excludes local school districts.
Source: Colorado Office of Economic Development and International Trade

traveled through the airport, up 74 percent from 2020, but nearly 10 percent lower than passenger traffic in 2019, before the impacts from the COVID-19 pandemic (Denver International Airport). Cargo volume in 2021 slightly surpassed 2019 levels by nearly 1 percent, with 673 million pounds of cargo, including freight and airmail. Passenger and cargo volume continue to increase. Year to date through July 2022, the 38.6 million passengers traveling through the airport were 2 percent below the number for the same period of 2019, but the nearly 403 million pounds of cargo was 7 percent higher than in 2019. Construction has been ongoing since 2018 to expand airport capacity by increasing the number of gates and other terminal renovations at a cost of nearly $4.4 billion. Twenty new gates opened by May 2022, and an additional 19 are expected to open by the end of the year, increasing total gate capacity by 30 percent. United Airlines, Inc., with a hub at DIA, is in the process of adding 3,000 jobs by 2026 because of the gate expansion and for its new flight training center. Additional renovations that will support construction jobs for the next several years are underway.

Sales Market Conditions

The sales housing market is currently slightly tight, but easing, with an estimated sales vacancy rate of 1.5 percent, compared with 2.3 percent during 2010 when conditions were soft. The sales market tightened in the years following the Great Recession but eased in 2022 because rising interest rates and strong sales price growth discouraged many would-be homebuyers, lowering sales demand. The inventory of homes for sale increased to 1.7 months of supply in July 2022, up sharply from 0.8 months of supply in July 2021 and similar to 2014 through 2019, when the July sales inventories ranged from 1.5 to 1.8 months of supply (Redfin, a national real estate brokerage). Rising interest rates are tempering demand for home sales. The average interest rate for a 30-year, fixed-rate mortgage was 5.4 percent in July 2022, up from 2.9 percent a year earlier (Freddie Mac). During the 12 months ending July 2022, total home sales decreased 6 percent year over year to 74,800 homes sold. Sales price growth was strong, with the average home sales price increasing 14 percent to $623,800 (CoreLogic, Inc., with adjustments by the analyst).

- Existing home sales decreased 6 percent during the 12 months ending July 2022, compared with the previous 12-month period, to 65,850 homes sold, and the average sales price increased 14 percent to $618,900.
- During the 12 months ending July 2022, new home sales decreased 3 percent from a year earlier to 8,950, following a 6-percent decline in new home sales during the 12 months ending July 2021. Since 2010, new home sales reached their highest level just before the recession induced by the pandemic, when 10,100 new homes sold during the 12 months ending March 2020. During the 12 months ending July 2022, the average price of a new home increased 17 percent compared with a year earlier to $659,200.
- In addition to overall declines in new home sales, new home sales as a share of total sales have been decreasing in the metropolitan area because of slower population growth. During the 12 months ending July 2022, 12 percent of total home sales were new homes, similar to the 12 months ending July 2021, but down from the average of 14 percent of total home sales during the same period each year from 2017 through 2020.
- Seriously delinquent mortgages in the metropolitan area have declined after a brief rise during the economic downturn in early 2020. The rate of home loans that are 90 or more days delinquent, in foreclosure, or transitioned to real estate owned (REO) status was 0.6 percent during July 2022, down from 1.7 percent a year earlier and the recent peak of 2.8 percent in August 2020 (CoreLogic, Inc.). The recent rate has nearly declined to levels from before the pandemic; the rate was 0.4 percent in March 2020.

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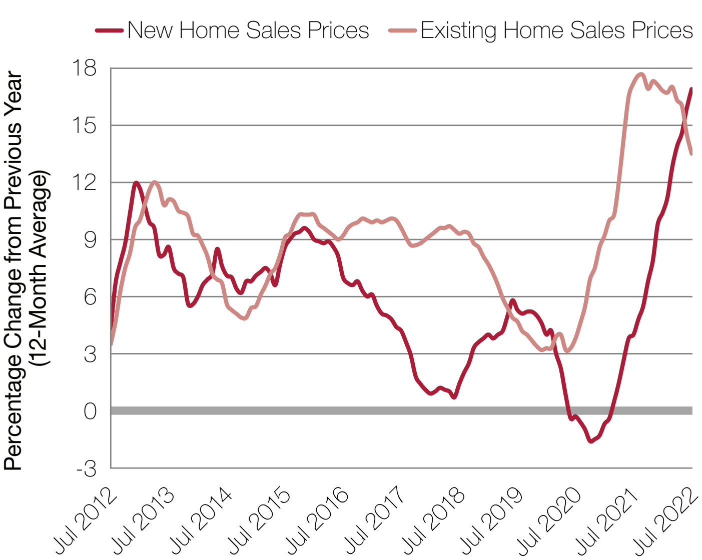
Price increases in new and existing homes were strong during the 12 months ending July 2022 in the Denver metropolitan area.



Note: Prices include single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

The number of new and existing home sales decreased in the Denver metropolitan area during the 12 months ending July 2022.

Note: Sales include single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

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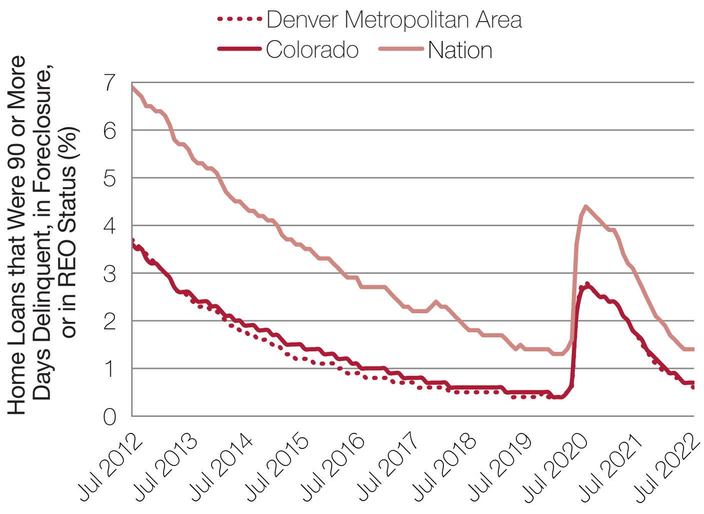
Weaker demand for additional homes for sale contributed to fewer single-family homes being permitted during the past 12 months. Single-family homebuilding activity, as measured by the number of homes permitted, is elevated compared with recent years. An average of 11,050 single-family homes were permitted annually from 2015 through 2020, compared with an average of 5,325 homes permitted annually from 2007 through 2014. Nevertheless, despite the increase in recent years, due to shifting tendencies for households to be renters, recent single-family construction is below construction levels in the early 2000s, when the homeownership rate of 67.0 percent in 2000 was higher than the current rate of 61.4 percent. From 2000 through 2006, an average of 15,850 single-family homes were permitted annually.

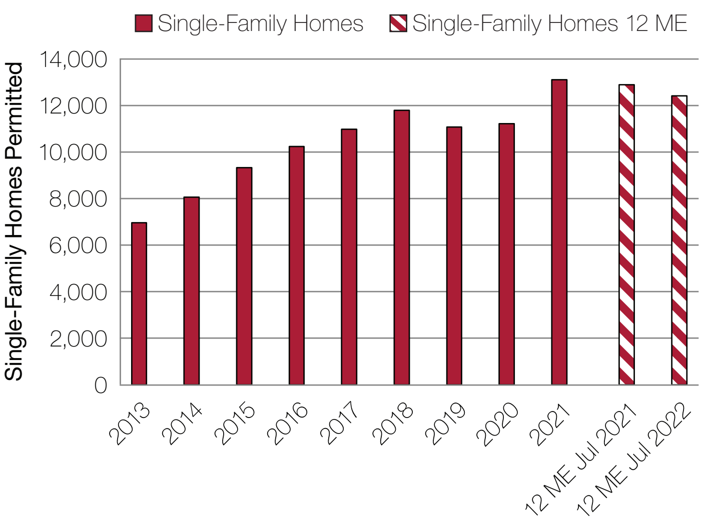
- During the 12 months ending July 2022, approximately 12,425 single-family homes were permitted, down 4 percent from the same period a year earlier (preliminary data, with adjustments by the analyst).
- Single-family homebuilding activity is spread throughout the metropolitan area, primarily in suburban counties with more developable land available but within commutable access to the Denver job centers. The largest share of single-family home construction occurs in Douglas County, where approximately 30 percent of single-family homes were permitted during the 12 months ending July 2022, similar to the share a year earlier. The second largest share during the same period occurred in Adams County, where 22 percent of metropolitan area homes were permitted, up slightly from 21 percent a year earlier.
- One of the most active subdivisions in the metropolitan area, Sterling Ranch, is in northern Douglas County. Home construction in the subdivisions began in the fourth quarter of 2019 with single-family detached homes and townhomes. Approximately 450 homes have been completed, another 430 homes are under construction, and more than 660 lots are available, with additional land for future lot development (Zonda). Home prices during the second quarter of 2022 started at $452,000 for townhomes and $531,000 for single-family detached homes.

Seriously delinquent home loans in the Denver metropolitan area and in Colorado have been consistently below national levels.



REO = real estate owned.
Source: CoreLogic, Inc.

Despite slight declines during the past year, single-family homebuilding activity in the Denver metropolitan area remains elevated compared with the number of homes permitted since 2013.



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

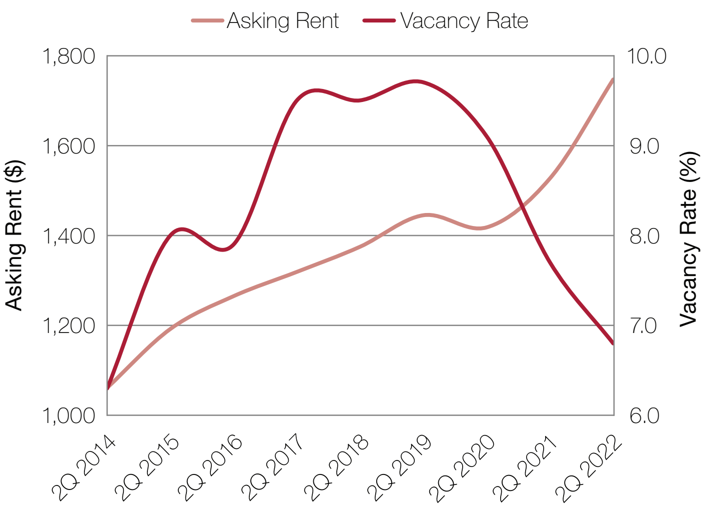
Apartment Market Conditions

Apartment market conditions in the Denver metropolitan area are balanced and have improved from recently soft market conditions. Demand is strong for apartment units, and the vacancy rate has declined from prepandemic rates. Despite a surge of units in lease-up, the number of renter households is growing rapidly because of rapid home sales price growth and rising mortgage interest rates. During the second quarter of 2022, the average apartment vacancy rate, including properties in lease-up, was 6.8 percent, down from 7.7 percent a year earlier and 9.7 percent in the same quarter of 2019, which was the most recent peak (*Apartment Insights*). Notably, the elevated current apartment vacancy rate is a result of the increased inventory of units in lease up in recent years; the average second quarter vacancy rate among stabilized properties was 4.4 percent during 2022, down slightly from 4.6 percent a year earlier.

During the second quarter of 2022—

- Apartment rents averaged $1,747, up 14 percent from the second quarter of 2021, which were, in turn, nearly 8 percent above rents from the previous year. Rent growth during the past 2 years has been unusually strong; from 2016 to 2019, average second quarter rents increased less than 5 percent annually before decreasing 2 percent in 2020 because of heightened uncertainty surrounding the pandemic.
- The *Apartment Insights*-defined Central Business District market area in downtown Denver included the largest share of apartment units in the metropolitan area, accounting for nearly 10 percent of the total inventory. The apartment vacancy rate averaged 13.7 percent, up from 11.2 percent a year earlier, and the average rent increased 13 percent year over year to $2,209, which is the highest average rent in the metropolitan area.
- The lowest vacancy rates and lowest rents in the metropolitan area were in the *Apartment Insights*-defined Denver Southwest market area. The vacancy rate averaged 2.3 percent, unchanged from a year earlier, and the average rent increased 7 percent to $1,148. Approximately 51 percent of the inventory in this market area are income-restricted units, contributing to the low vacancy rate, low rent, and slower rent growth.
- The portion of the *Apartment Insights*-defined Interlocken market area that is located within the metropolitan area, primarily in Broomfield and Jefferson Counties, had the strongest absorption compared with the second quarter of 2021. Approximately 650 units were absorbed in the market area during the past year, accounting for nearly 6 percent of the 11,500 units absorbed in the metropolitan area.

Declining apartment vacancy rates in the Denver metropolitan area during the past year contributed to rising rents.



2Q = second quarter.
Source: *Apartment Insights*

Multifamily construction, as measured by the number of units permitted, is at record high levels to meet the demand from strong renter household growth. During the 12 months ending July 2022, nearly 17,250 multifamily units were permitted, up 26 percent from the nearly 13,725 multifamily units permitted during the previous 12-month period (preliminary data, with adjustments by the analyst). Multifamily construction is virtually all for apartments; condominium construction has been extremely limited in the metropolitan area since 2007.

- An average of 9,425 multifamily units were permitted each year from 2013 through 2020; that number rose to nearly 16,900 units permitted in 2021. By comparison, an average of 4,275 multifamily units were permitted each year from 2003 through 2008.
- Most multifamily construction occurred in Denver County, which accounted for 51 percent of the multifamily units permitted during the 12 months ending July 2022, with 8,700 multifamily units permitted, up from 7,425 units permitted a year earlier. Denver has significant land constraints and is largely built out, which encourages more multifamily residential construction.
- Arapahoe County, which includes most of the city of Aurora, had the second largest share of multifamily permitting during the 12 months ending July 2022. Nearly 3,375 multifamily units were permitted in the county, accounting for 20 percent

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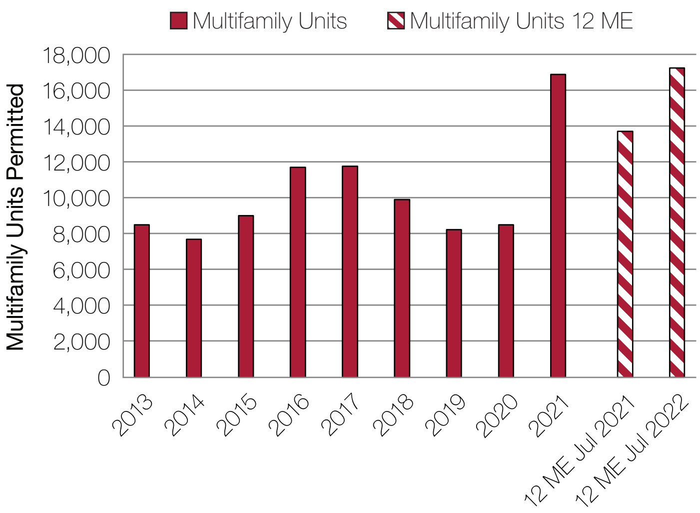
of all permits in the metropolitan area and more than double the 1,075 units permitted during the previous year.

- In the Denver County Central Business District market area, the 393-unit Citizen apartments opened in January 2022. Rents for studio, one-, two-, and three-bedroom penthouse units start at $1,698, $2,015, $3,260, and $7,495 a month, respectively. The property is in lease up, with approximately 13 percent of the units occupied, and it is offering 1.5 months free rent with a lease of 12 months or longer.
- In the Interlocken market area in the city of Westminster in northern Jefferson County, the 261-unit Marq Promenade apartments opened in April 2022. Rents for the one-, two-, and three-bedroom units start at $1,881, $2,500, and $3,250 a month, respectively. The property is in lease up, and concessions are not offered at this property.

Multifamily construction in the Denver metropolitan area is at record highs during the 12 months ending July 2022.



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Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Distressed Sales	Short sales and real estate owned (REO) sales.
Existing Home Sales	Includes resales, short sales, and REO sales.
Home Sales/Home Sales Prices	Includes single-family, townhome, and condominium sales.
Apartment Vacancy Rate	Includes professionally managed apartments with 40 units or more.
Resales	Resales are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.