

Denver-Aurora-Lakewood, CO CBSA

The tight labor market continues to put a strain on new development. In some cases, larger developers are choosing to remain on the sidelines and leave the market to smaller developers whose projects tend to cater to the higher end of the market. The unemployment rate is one of the lowest in the country, and the strong economy is encouraging eligible workers to search for new jobs. However, while the employment situation looks good on paper, an increasing amount of available jobs in the state are low-paying, and wages have remained relatively flat. This is making it challenging for the Average Denver resident to afford the median priced home.

Supply is tight on the low end.

The number of homes priced between \$200,000 and \$299,999 decreased by 40% by the end of 2017, and those priced \$100,000 to \$199,999 were down by almost 56%.

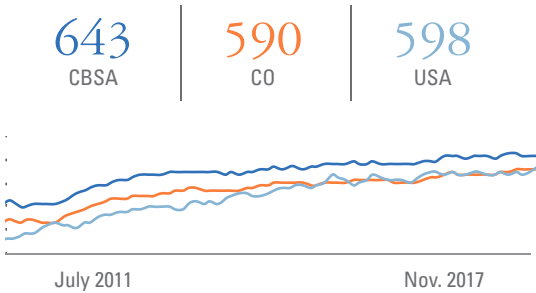
More supply issues.

The lack of affordable land and skilled labor aren't the only reasons many expect supply issues to continue in 2018. The resale market is also expected to tighten because potential sellers do not have other options for purchasing.

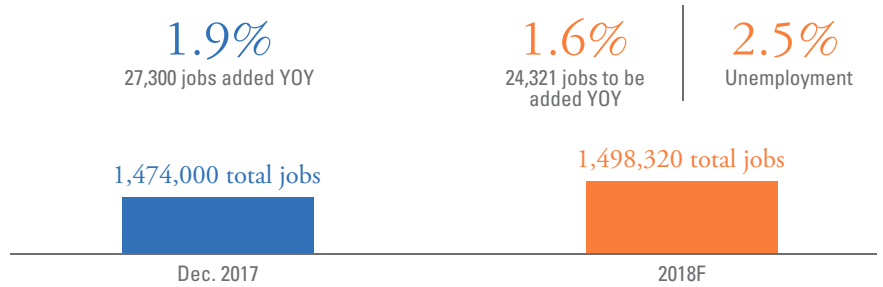
New businesses grow economy.

The number of new business filings is up 9.4% YOY, according to the University of Colorado Boulder Leeds School of Business. Colorado added 117,000 new businesses in 2017, 8,000 more than the previous year.

MEYERS INDEX



EMPLOYMENT SUMMARY



SUPPLY

TYPE	PROJECTS	REMAINING UNITS	PERMITS	YOY CHANGE	PEAK PERMITS
Single-Family	300	13,587	10,933	3.8%	18,599
Multifamily	167	5,455	11,234	9.6%	12,390
Totals:	467	19,042	22,167	13.4%	30,989

TOP CITIES

Active New Home Projects



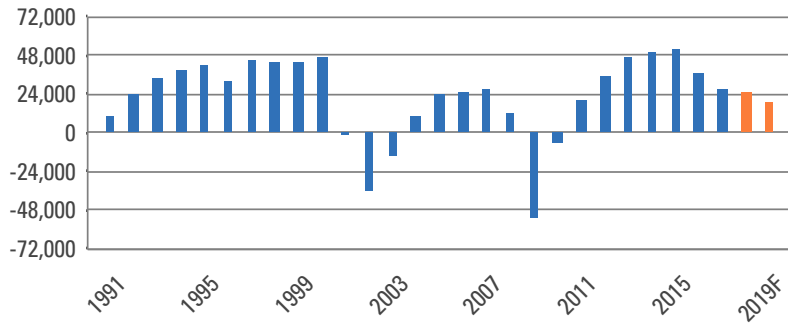
JOB GROWTH *year over year*

■ Dec. 2017 Job Growth:

27,300 new jobs

■ 2018 Job Forecast:

24,321 new jobs



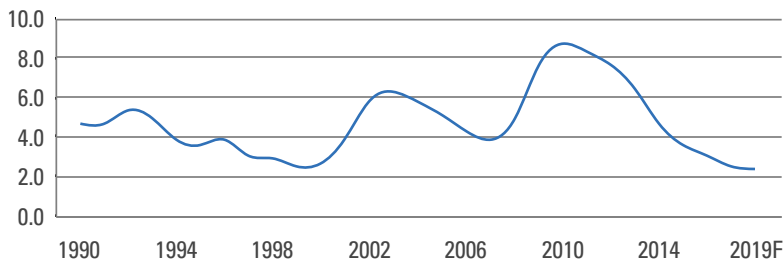
UNEMPLOYMENT RATE

■ Nov. 2017 Unemployment:

2.7% ↑

■ Moody's Analytic 2018 Forecast:

2.5% -



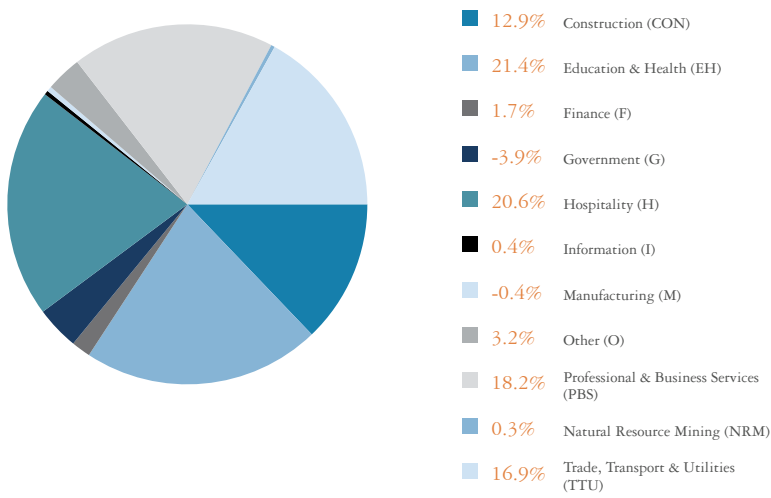
Summary

Total nonfarm employment in the Denver-Aurora-Lakewood, CO metropolitan statistical area increased 1.9% from the same period last year to 1,474,000 payrolls in December 2017. There are approximately 27,300 more jobs than November of last year. The local unemployment rate increased to 2.7% in November 2017 compared to 2.6% in the previous month. November's jobless rate is lower than it was this time last year when it stood at 2.9%. Forecasts from Moody's Analytics show that the region's unemployment rate will finish the year at 2.5%.

Key Highlights

- The number of new business filings is up 9.4% YOY, according to the University of Colorado Boulder Leeds School of Business. Colorado added 117,000 new businesses in 2017, 8,000 more than the previous year.
- San Francisco-based software company Accelo has announced it will open a new office in Denver after receiving \$14.8 million in job growth tax credits from the Colorado Economic Development Commission. The move is expected to bring 787 new full-time jobs to the metro area within the next few years.
- San Francisco-based tech company Strava will also be opening a new office in Denver, with plans to employ 100 people within the next three years.
- Denver school district officials are planning to cut up to 50 central office jobs in 2018, as part of a new school budget proposal.

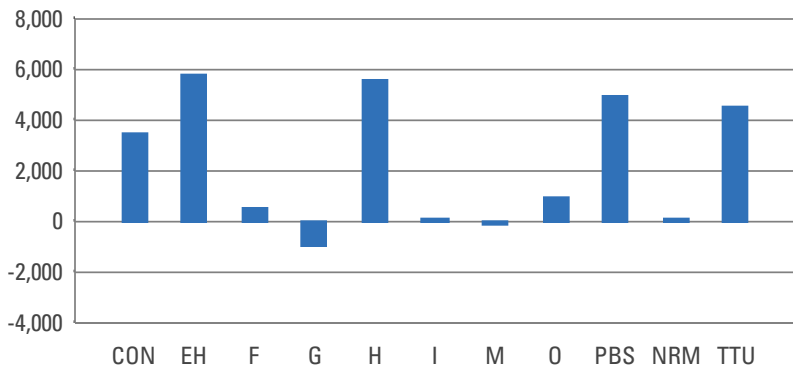
EMPLOYMENT BY SECTOR



Key Highlights

- After announcing it would cut 201 jobs at its Greenwood Village facility, First Data Corp. has revised the number of layoffs to 149.
- Defense contractor Northrop Grumman Corp. has increased its number of anticipated layoffs from 50 to 85.

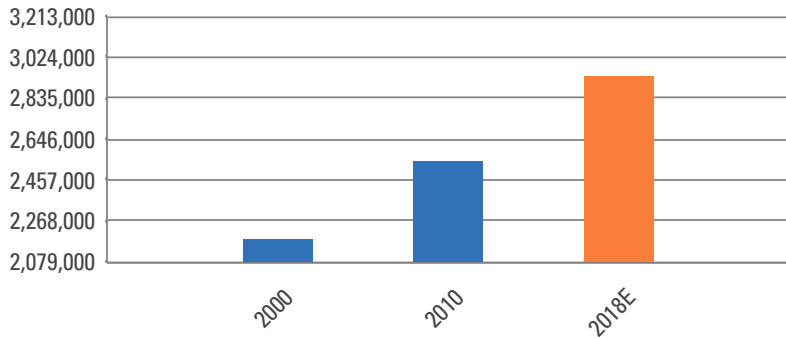
JOBS BY SECTOR (YEAR-OVER-YEAR)



POPULATION GROWTH

2018E Population Growth:

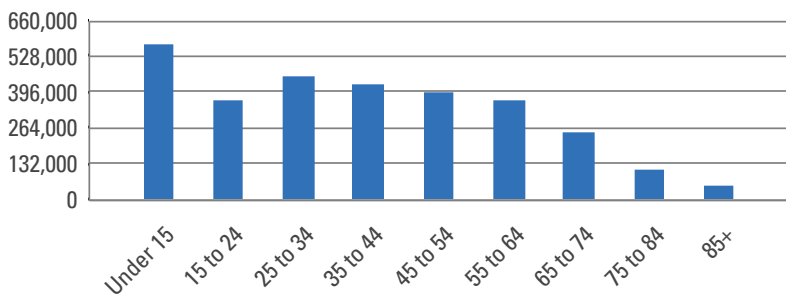
1.9%



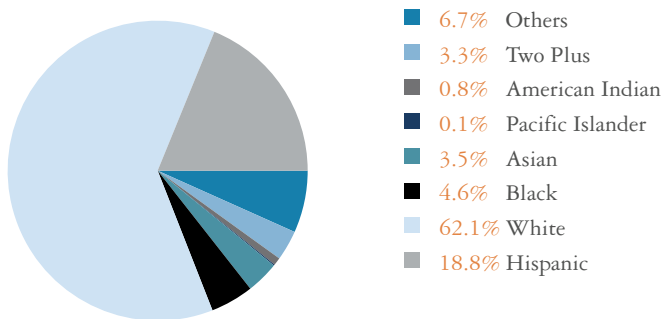
POPULATION BY AGE

2018 Median Age:

37 year 1 month



ETHNICITY



Summary

There are approximately 1,149,700 households in the region which is up 1.8% year-over-year. Forecasts show that household formation is expected to increase by an annual growth rate of 2.1% for 2018. Median household income in the area increased 3.6% from the previous year to \$75,489. Incomes are forecasted to increase 3.6% for the year in 2018.

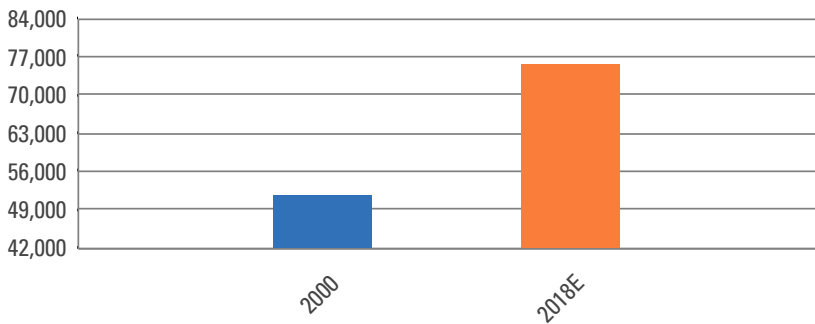
Key Highlights

- Rental prices declined 0.8% over the past month, but have increased by about 2% from January of last year, which is lower than the national average of around 2.7%.
- A new proposed budget for Denver area schools will increase funding for the districts poorest schools, with \$1.5 million more in funding going to the highest-needs students. The proposed school budget also includes \$1.5 million for pay raises for low-wage workers within the Denver school district.
- Wages in Colorado are not keeping pace with the state's rising cost of living. Since 2000, wages have only increased by just above 3% when accounting for inflation.
- A worker earning minimum wage in Colorado would have to work 95 hours a week to rent a two-bedroom apartment.

HOUSEHOLD INCOME

2018E Median Household Income:

\$75,489

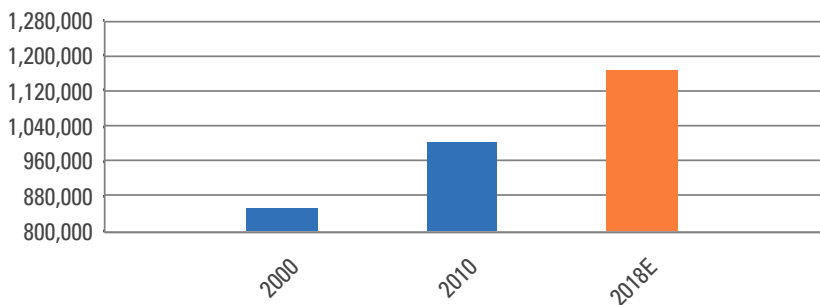


Key Highlights

HOUSEHOLD GROWTH

2018E Household Growth:

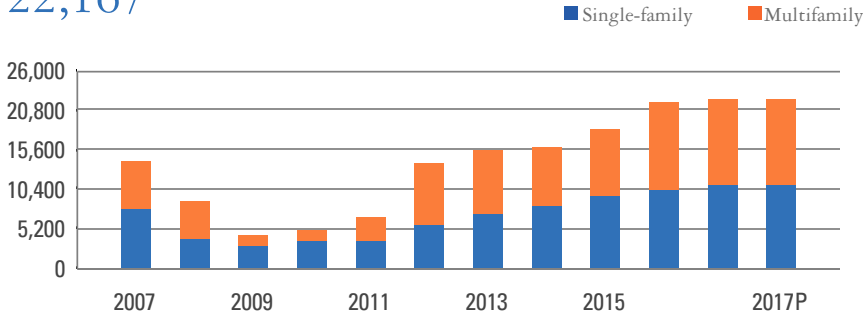
2.1%



PERMITS

2017LTM Total Building Permits:

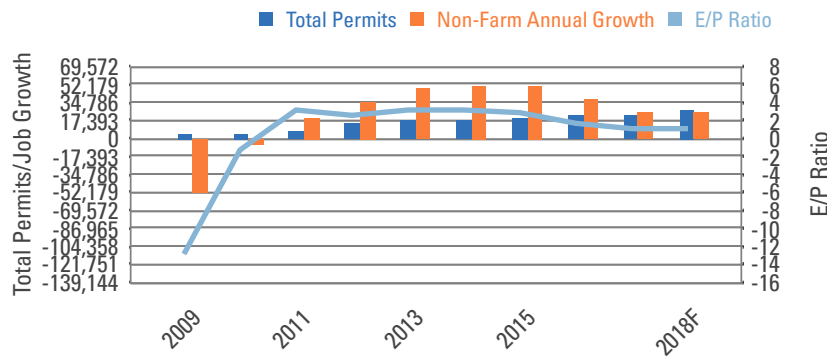
22,167



E/P RATIO

E/P Ratio:

0.9 ↓



HIGHLIGHTS

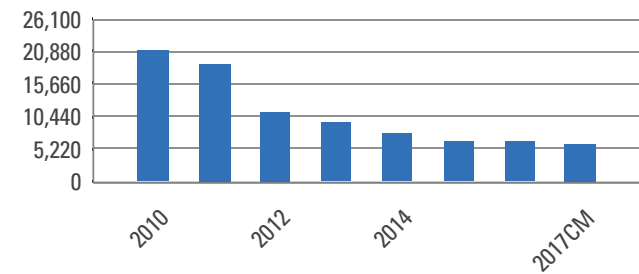
In the Denver-Aurora-Lakewood, CO region, total residential building permit activity increased 6.6% year-over-year to an annualized rate of 22,167 units in December. In the twelve-month period ending December, single-family building permit issuance increased 3.8% to 10,933 units while multi-family permit issuance increased 9.6% to 11,234 units.

- The Denver metro area ended 2017 with a record low inventory.
- There are currently 6,502 residential units under construction in the downtown Denver area.
- Confluence Construction recently cut the ribbon on their Mirador at Tennyson project, which includes 24 residential units in northwest Denver. Confluence is also currently building a 40-unit condo development in Castle Rock, as well as a 119-unit project in Sunnyside.
- While many construction projects are underway, a disproportionate amount of them cater to the higher end of the market.

NUMBER OF LISTINGS

Nov. 2017 # of Listings:

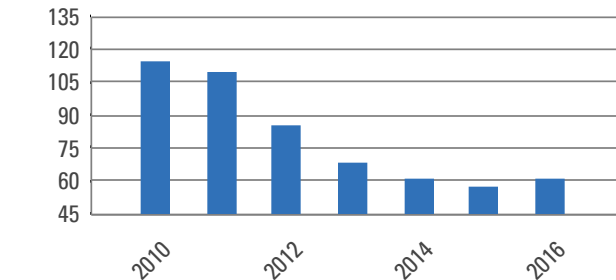
5,971



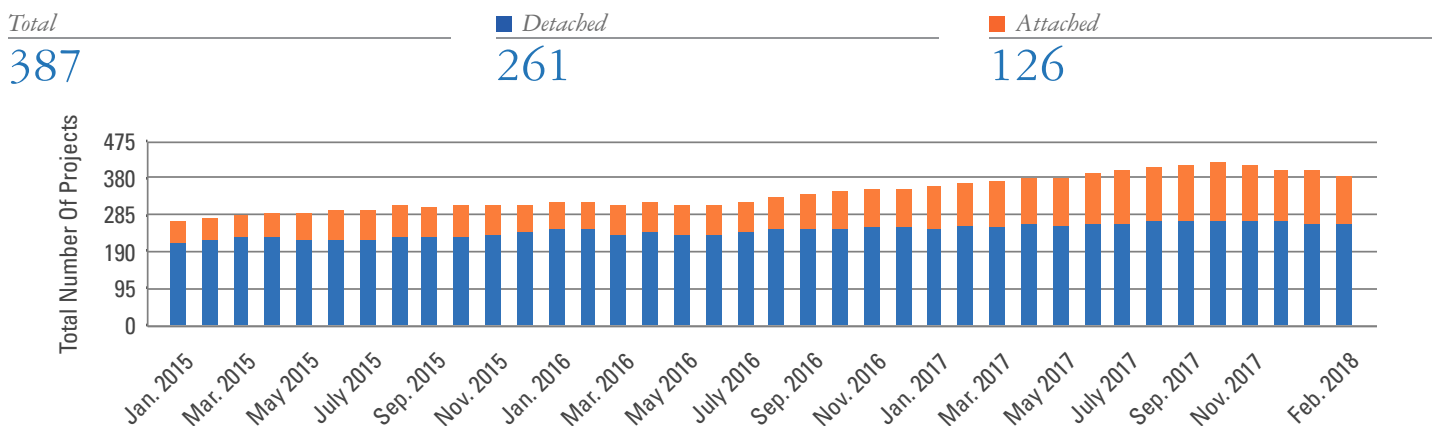
DAYS ON MARKET

Oct. 2017 Days on Market:

54 days



NUMBER OF ACTIVE PROJECTS



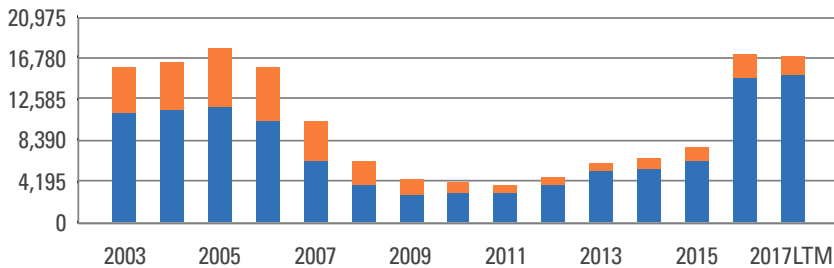
ACTIVE BUILDERS *top 15 results*

RANK	BUILDER	# OF 2017 SALES	% MARKET SHARE	# OF PROJECTS	AVG PRICE	AVG SALES
1	Richmond American Homes	1360	14.22%	40	\$476,385	3.02
2	Lennar	846	8.85%	24	\$538,685	3.06
3	Century Communities, Inc.	633	6.62%	18	\$448,403	2.17
4	KB Home	609	6.37%	16	\$434,855	3.37
5	CalAtlantic Homes	559	5.85%	24	\$527,578	1.92
6	Clayton Properties Group	519	5.43%	9	\$354,585	6.19
7	D.R. Horton, Inc.	406	4.25%	15	\$664,600	2.39
8	Meritage Homes	387	4.05%	10	\$467,164	3.84
9	Shea Homes	373	3.90%	9	\$558,992	3.71
10	William Lyon Homes	275	2.88%	17	\$459,492	1.99
11	Thrive Home Builders	259	2.71%	8	\$520,190	1.73
12	East West Partners	220	2.30%	1	\$985,313	44.23
13	Toll Brothers	196	2.05%	9	\$558,696	2.51
14	Lokal Homes	191	2.00%	9	\$417,527	2.21
15	Taylor Morrison	187	1.96%	8	\$528,480	1.93

NEW HOME MARKET ANNUALIZED

Change from Previous Year: **-1.9%** *30-year Historical Average:* **9,647 sales**

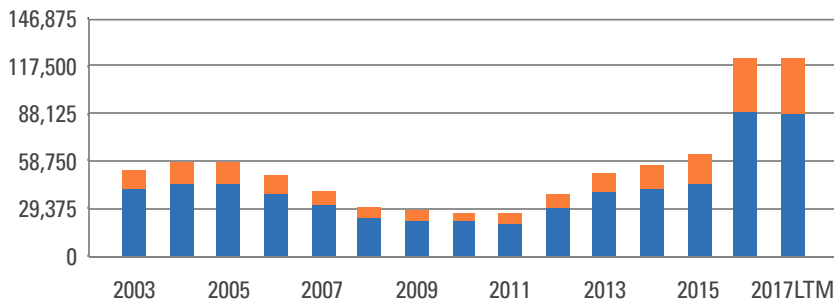
Total Home Closings: **16,889** *Dec. 2017 Detached:* **14,905** *Dec. 2017 Attached:* **1,984**



EXISTING HOME MARKET ANNUALIZED

Change from Previous Year: **-1.2% ↓** *30-year Historical Average:* **53,572 sales**

Total Home Closings: **121,401** *Dec. 2017 Detached:* **87,391** *Dec. 2017 Attached:* **34,010**



Summary

New home closings in the Denver-Aurora-Lakewood, CO metropolitan area experienced a 1.9% year-over-year decrease to an annualized rate of 16,889 units in December. Of those home closings over the past 12 months, 1,984 were attached closings and 14,905 were detached closings. Existing home closings for the same period posted a year-over-year loss of 1.2% to an annualized rate of 121,401 units. Of those home closings over the past 12 months, 34,010 were attached and 87,391 were detached.

Key Highlights

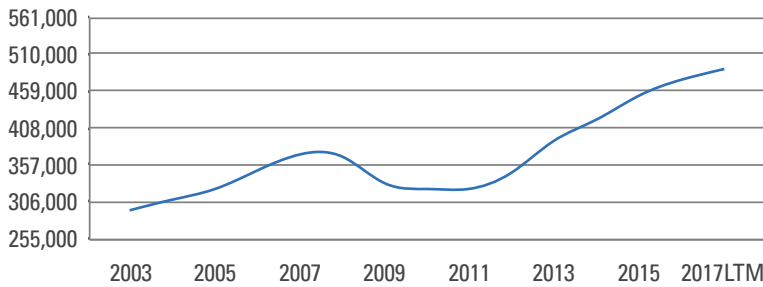
- The total sales volume in Denver increased 20% for the end of 2017, a record high. Denver condo sales were up more than 60% in 2017. Part of the increase was driven by the relief from the legislative victories surrounding the construction defect litigation laws.
- Based on the three month average sales rates per community, The Coloradan, Green Valley Ranch, and Reunion are the best-selling new home communities in the Denver CBSA currently.

NEW HOME

NEW DETACHED MEDIAN HOME PRICE

Change from Previous Year: **-0.7% ↓** 30-year Historical Average: **\$273,742**

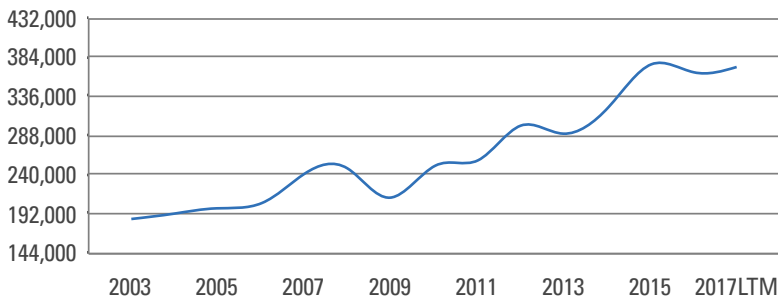
■ Dec. 2017 Median Detached Closing Home Price: **\$490,697**



NEW ATTACHED MEDIAN HOME PRICE

Change from Previous Year: **2.9% ↑** 30-year Historical Average: **\$197,769**

■ Dec. 2017 Median Attached Closing Home Price: **\$371,497**



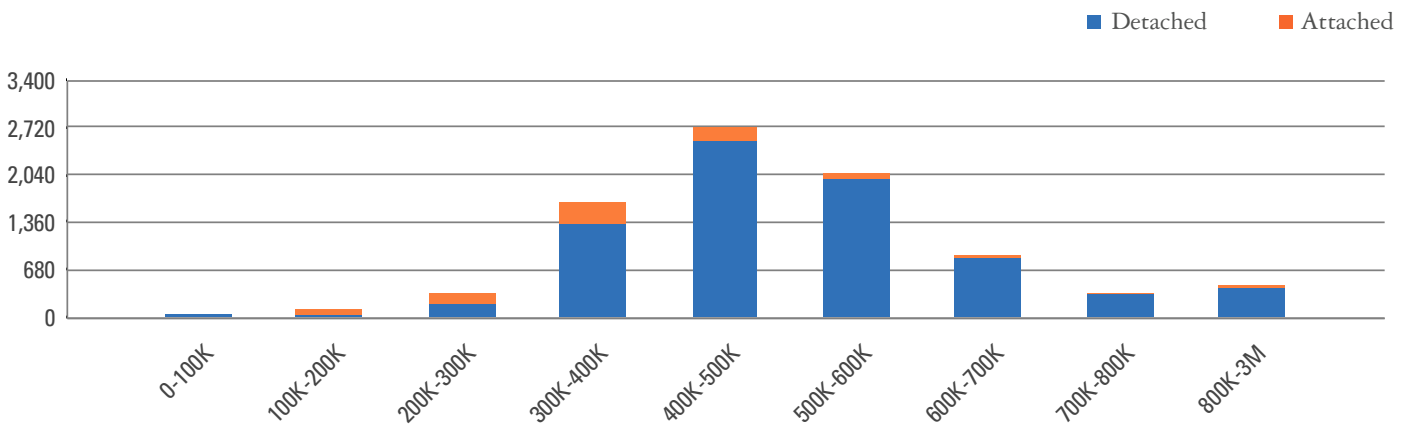
Summary

The median closing price for a new detached home in the Denver-Aurora-Lakewood, CO region decreased 0.7% year-over-year to \$490,697 in December while the median closing price for a new attached home increased 2.9% from the same year-ago period to \$371,497. Homes priced between \$400,000 and \$500,000 experienced the most closing activity over the past year. The new home affordability ratio for a detached home reached 36.6% in December.

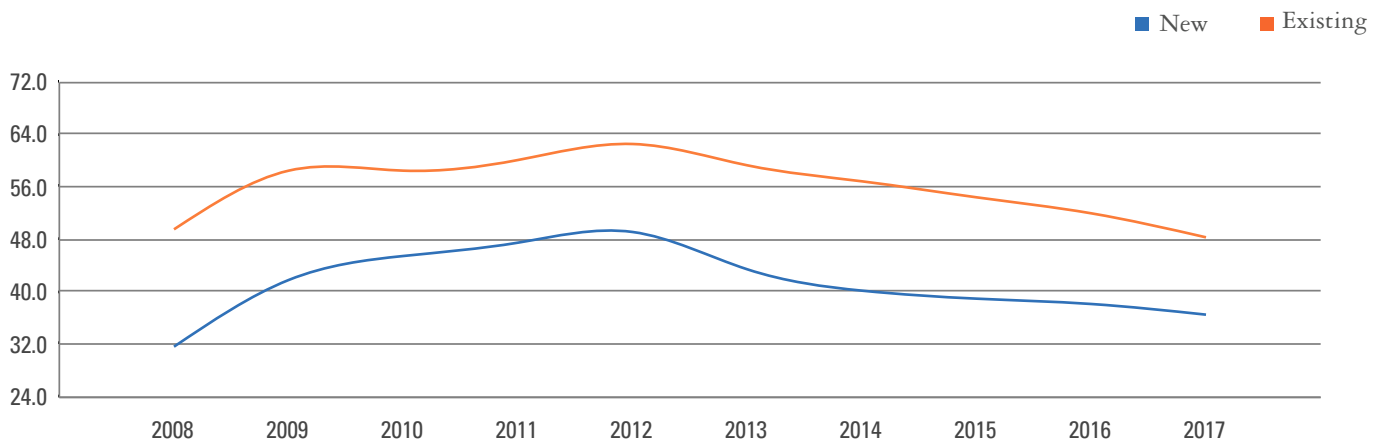
Key Highlights

- Total homes sold in the Denver metro totaled a cumulative \$25 billion in 2017, nearly \$3 billion more than the previous year.
- Condo prices increased 9.8% in Denver last year, hitting \$335,000.
- The two best-selling communities in Denver based on the overall sales rates are The Coloradan, an attached property by East West Partners, and Peakview Village, detached homes by Richmond American. Prices at the Coloradan range from \$575,000 to \$3,300,000, while Peakview Village has prices in the \$500Ks.

NEW HOME CLOSINGS BY PRICE RANGE



DETACHED AFFORDABILITY



EXISTING HOME

EXISTING DETACHED MEDIAN HOME PRICE

Change from Previous Year:

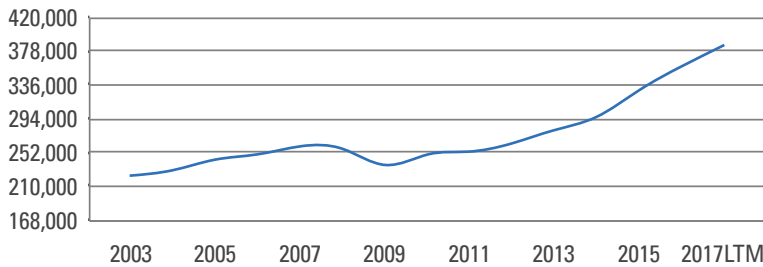
7.4% ↑

30-year Historical Average:

\$200,980

■ Dec. 2017 Median Detached Closing Home Price:

\$386,673



EXISTING ATTACHED MEDIAN HOME PRICE

Change from Previous Year:

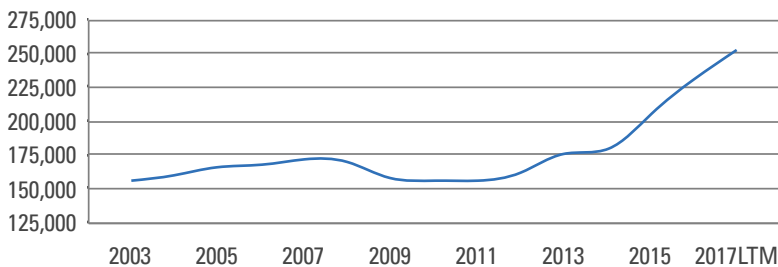
4.9% ↑

30-year Historical Average:

\$131,654

■ Dec. 2017 Median Attached Closing Home Price:

\$251,850



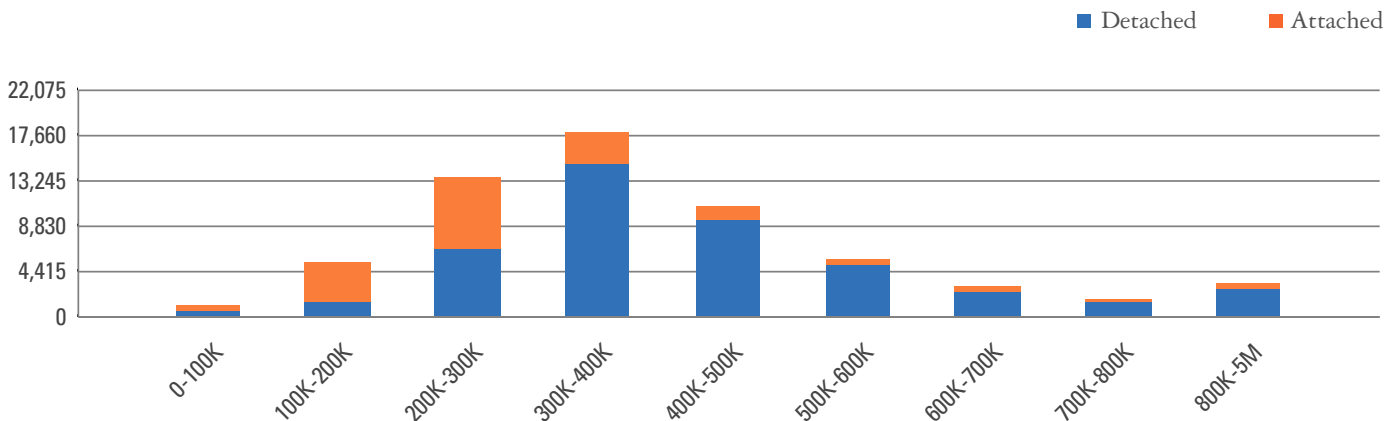
Summary

The median closing price for an existing detached home in the Denver-Aurora-Lakewood, CO region increased 7.4% year-over-year to \$386,673 in December while the median closing price for an existing attached home increased 4.9% from the same year-ago period to \$251,850. Homes priced between \$300,000 and \$400,000 experienced the most activity over the past year. The existing home affordability ratio reached 48.3% in December.

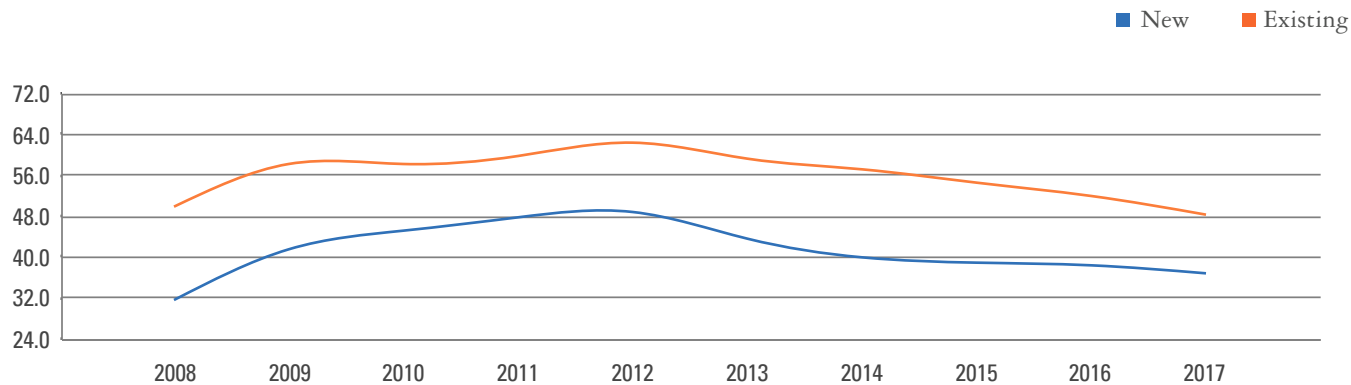
Key Highlights

- The luxury end of the market is growing at a faster clip than most. The number of detached units priced \$1 million or above increased by nearly 28% by the end of 2017, while the number of homes priced between \$200,000 and \$299,999 decreased by 40% and those priced \$100,000 to \$199,999 were down by almost 56%.

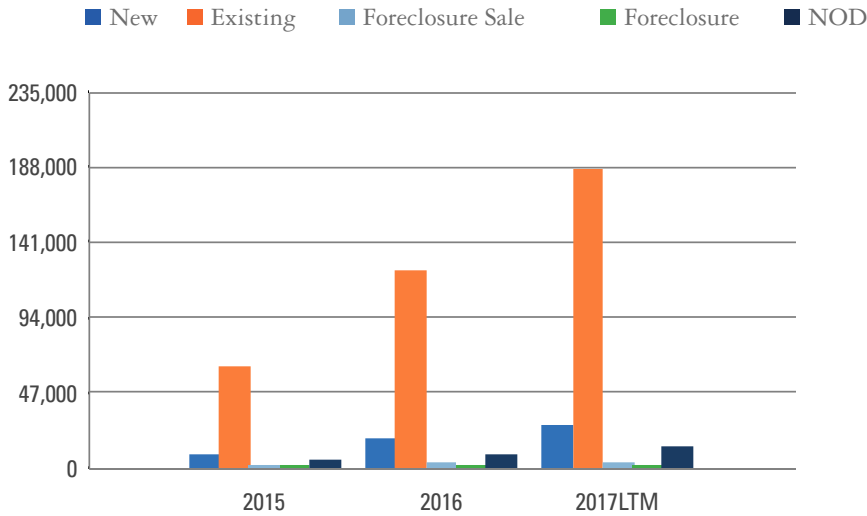
EXISTING CLOSINGS BY PRICE RANGE



DETACHED AFFORDABILITY



HOUSING TRANSACTION VOLUME BY TYPE



Summary

The region experienced 43 foreclosures in December.

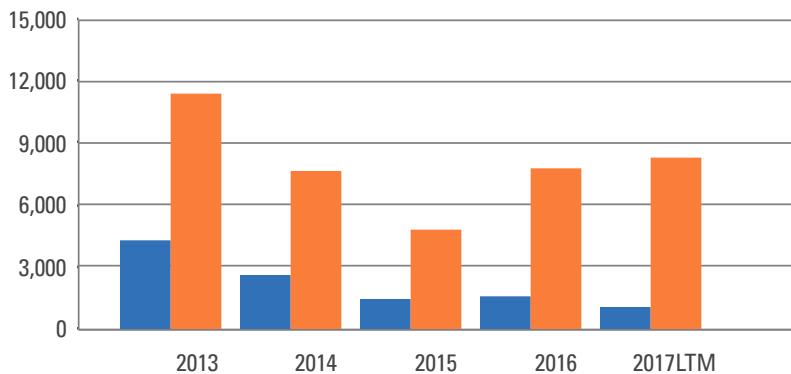
NOTICES OF DEFAULT & FORECLOSURE

■ Dec. 2017 Total Foreclosures:

957

■ Dec. 2017 Notices of Default:

8,258



Key Highlights

- With a .1% foreclosure inventory rate, the Denver metro area has one of the lowest foreclosure rates in the nation.
- Foreclosures were up 23% MOM in December, but down 10% from the previous year.

ECONOMY

	2014	2015	2016	1 YR AGO	DEC. 2017	% CHANGE
Job Growth (12-Month)	50,070	51,110	36,310	30,900	27,300	1.9% ↑
Unemployment Rate	4.7	3.6	3.1	2.8		-

COMMUNITY

Median Age	-	-	-	-	37.1	-
Median Household Income	70,208	71,529	72,849	74,169	75,489	1.8% ↑

SUPPLY

Days on Market	61	57	60	68	N/A	N/A
E/P Ratio	3.2	2.8	1.7	1.7	1.1	- 31.5% ↓
Number of Listings	7,528	6,403	6,595	6,586	5,971	- 9.3% ↓
Total Permits	15,767	18,326	21,947	20,787	22,167	6.6% ↑

SALES

Attached Existing	15,277	17,748	34,164	34,164	34,010	- 0.5% ↓
Attached New	1,094	1,286	2,451	2,451	1,984	- 19.1% ↓
Detached Existing	41,307	44,732	88,705	88,705	87,391	- 1.5% ↓
Detached New	5,348	6,288	14,773	14,773	14,905	0.9% ↑
Total Investor Sales	27	20	44	44	78	77.3% ↑

\$ PRICES

	2014	2015	2016	1 YR AGO	DEC. 2017	% CHANGE
Affordability (%)	56.9	54.4	51.7	51.7	48.3	- 6.6% ↓
Attached Existing Median	\$179,950	\$204,450	\$230,000	\$240,000	\$251,850	4.9% ↑
Attached New Median	\$323,198	\$375,651	\$365,031	\$361,094	\$371,497	2.9% ↑
Detached Existing Median	\$294,900	\$328,000	\$360,000	\$360,000	\$386,673	7.4% ↑
Detached New Median	\$418,904	\$451,492	\$475,000	\$494,054	\$490,697	- 0.7% ↓

↘ DISTRESS

Foreclosures	2,554	1,409	1,544	1,544	957	- 38.0% ↓
Notices of Default	7,529	4,668	7,640	7,640	8,258	8.1% ↑

*Current year-over-year job growth and unemployment rate are as of Dec. 2017.

ABOUT

Meyers Research, a Kennedy Wilson Company, combines experienced real estate and technology advisors with leading data to provide our clients with a clear perspective and a strategic path forward. Based in Beverly Hills, we are home to 80 experts in 10 offices across the country.

DEFINITIONS AND METHODOLOGY

All information presented involved the assembly of data sources that we consider to be reliable, including the Bureau of Labor Statistics, CBRE- EA, Nielsen Claritas, Public Record Data, Moody's Analytics, Great Schools, U.S. Bureau of the Census, Zillow, various regional Multiple Listing Service providers, Meyers Research and Zonda. We do not guarantee any data accuracy as all information is subject to human errors, omissions, and/or changes.

to interpret the strength of the market. Such metrics include price appreciation, sales activity, permit activity, demographic growth, household income levels, school scores, and affordability.

Definitions

- CM - Current Month
- E - Estimated
- F - Forecast
- LTM - Last 12 Months

Meyers Index

The Meyers Index is a proprietary index that produces a score ranging from 0 to 1,000 for a geographic area. A higher index score captures the desirability of housing development for the selected area and is calculated using specific data sets weighted



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