

METRO DENVER COLORADO MARKET

The Metro Denver analysis herein is defined as a five county region including Adams, Arapahoe, Denver, Douglas and Jefferson Counties.

Employment at the end of 2008 experienced a slight decline in the number employed as compared to the number employed at the end of 2007. However, the labor force expanded to record levels in 2008 with 43,028 more than at the end of 2007. Due to the increase in the labor force and the small decline in the number employed, the average annual unemployment rate increased to 4.9 percent versus 3.8 percent in 2007. By the end of January 2009, the unemployment rate increased to 6.6 percent.

Total employment contracted was 5,386 last year. Unemployment rates steadily increased throughout 2008 from 4.3 percent in January, 2008 to 5.8 percent by December, 2008. As of January, 2009, total unemployment was 62,906 higher than a year ago. The total number of unemployed was 180,975 in January, 2009 as compared to 118,069 in January, 2008.

According to the U.S. Census Bureau, Colorado was the nation's fifth fastest-growing state between July 1, 2007, and July 1, 2008, as its population climbed 2 percent. The solid gain is attributed to viable job growth in the state following the national economic downturn in 2001. Metro Denver has a population of nearly 2.8 million people, and a growth rate that has consistently outpaced the national rate every decade since the 1930's. The region grew steadily over the past 10 years, averaging 1.9 percent population growth each year from 1998 to 2008. By 2030, Metro Denver's population is anticipated to increase to almost 3.8 million.

A large portion of Metro Denver's population growth is due to in-migration of highly educated workers from other states. The region's net migration averaged about 30,600 people each year during the 1990s. Metro Denver is estimated to have net-migration of 19,800 residents in 2008.

Foreclosures

The number of foreclosures experienced their first decline in over six years. After reaching a total of 25,867 in 2007, the total number of foreclosures in 2008 was 23,491. Among the five county areas: Adams, Arapahoe, and Denver Counties had the greatest number of foreclosures in the Metro Denver Area. However, Douglas and Jefferson Counties were the only counties to experience an increase in foreclosures from 2007. Flat or declining property values are the direct result of the ongoing problem with foreclosures.

Annual Foreclosures by County:

	2003	2004	2005	2006	2007	2008
Adams	1,329	2,528	3,281	4,330	8,248	5,831
Arapahoe	2,250	3,170	3,600	4,719	6,259	5,880
Denver	918	1,795	2,203	5,182	7,909	6,145
Douglas	652	787	912	1,258	1,865	2,186
Jefferson	1,532	1,807	2,120	2,971	3,588	3,869
Total	6,681	10,087	12,116	18,440	25,867	23,491

DENVER COLORADO MARKET *continued*

New Construction Starts

In the table below, it is very alarming to see the results of new construction permits representing nearly half of the permits pulled in 2007. After four years of relatively steady declining starts, new construction permits pulled for 2008 were nearly 46% less than those pulled in 2007 and 64% fewer pulled in 2004. Last year (2008) showed the lowest level of permits pulled since the millennium. The number of permits pulled in January 2009 was one-half the permits pulled in January of 2008. The greatest decline in construction starts is the single family residential market.

	2002	2003	2004	2005	2006	2007	2008	Jan-09
Total Units	21,438	16,255	21,109	20,826	17,936	14,234	7,673	154
Units in Single-Family	14,133	13,005	16,428	17,851	12,904	7,912	3,478	134
Units in All Multi-Family	7,303	3,250	4,681	3,175	5,032	6,322	4,195	20

Sales Activity and Absorption

In the table below illustrating the number of detached single family sales and monthly absorption, it is noted that the closings for 2008 have actually increased. There were 244 more sales in 2008 than 2007 which is a 1% improvement. This is superior to the downward trend that started in 2004 where annual number of sales reduced by 1.25%, 6.45% and 3.65 consecutively. In addition, this is the first year since 2004 when absorption did not increase by a substantial amount. At this time, the supply of inventory in the Metro Denver Area is competitive to that of 2004-2005.

	Months' Absorption	#Closings
1998	2.8	35,159
1999	2.2	35,500
2000	2.2	37,012
2001	3.1	35,888
2002	5.0	36,272
2003	5.1	36,677
2004	3.9	37,373
2005	4.6	36,907
2006	5.0	34,527
2007	5.4	33,268
2008	4.1	33,512

DENVER COLORADO MARKET continued

The following table illustrates the trend of the condominium market continues to show a relatively stable level of absorption, but there were over 9% fewer sales or 783 fewer sold units in 2008 than 2007.

	Condominiums	
	Month's Absorption	# Closings
1998	2.5	10,792
1999	1.6	11,266
2000	2.0	11,599
2001	3.2	11,944
2002	5.7	11,647
2003	6.5	11,289
2004	5.8	11,158
2005	6.7	11,202
2006	6.4	10,459
2007	6.2	9,920
2008	5.6	9,137

The greatest number of sales of single family residences takes place in the \$300,000 - \$500,000 price range, where the most condo sales occur in the \$100,000 - \$200,000 price range.

In summary, forecasting market conditions in the Metro Denver Area for 2009 will be a challenge as there is a mixed bag of economic statistical information being gathered. Unemployment is on the rise, employment is moving downward, but the labor force has expanded. While foreclosures are still a problem, their upward trend appears to have peaked in 2007 with fewer reporting's for 2008. Builders have halted construction with nearly 50% fewer units being built, but resales have remained relatively constant with 2007. Supply of inventory has declined significantly when compared to 2007.

The economic outlook for 2009 not only depends upon anticipated job growth and population growth but also the impact from tightening credit requirements within the mortgage industry and the strength/weakness of the national economy. The mixed signals we are seeing from various sources point to a more favorable direction than might be expected. One must proceed with caution, but there may actually be a dim light at the end of the tunnel for the Metro Denver Housing market.



For additional or more current information on the residential market in the Metro Denver area, visit www.rac.net and select "The RAC Report," or contact either of the following RAC members:

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