

MAINTAINING MOMENTUM: 2018 Economic Update for Metro Denver

August 2018

noun mo·men·tum \ mō-'men-təm , mə- \

1 b : the strength or force that allows something to continue or to grow stronger or faster as time passes

- *Merriam-Webster, LearnersDictionary.com*

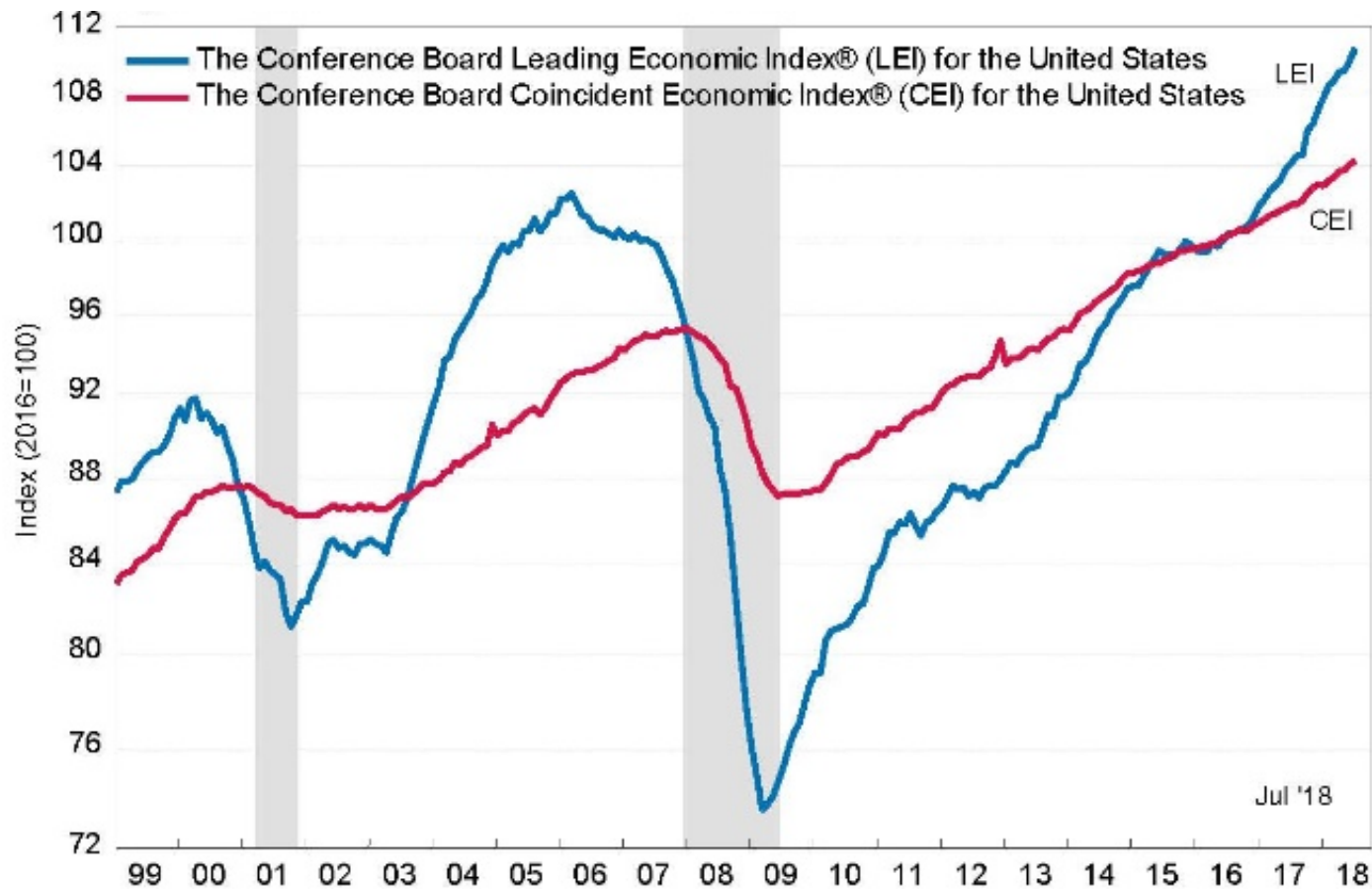
Prepared by:



In Partnership with:



Leading Economic Index for the U.S. Increasing Steadily



Latest LEI Trough March 2009, Latest CEI Trough June 2009

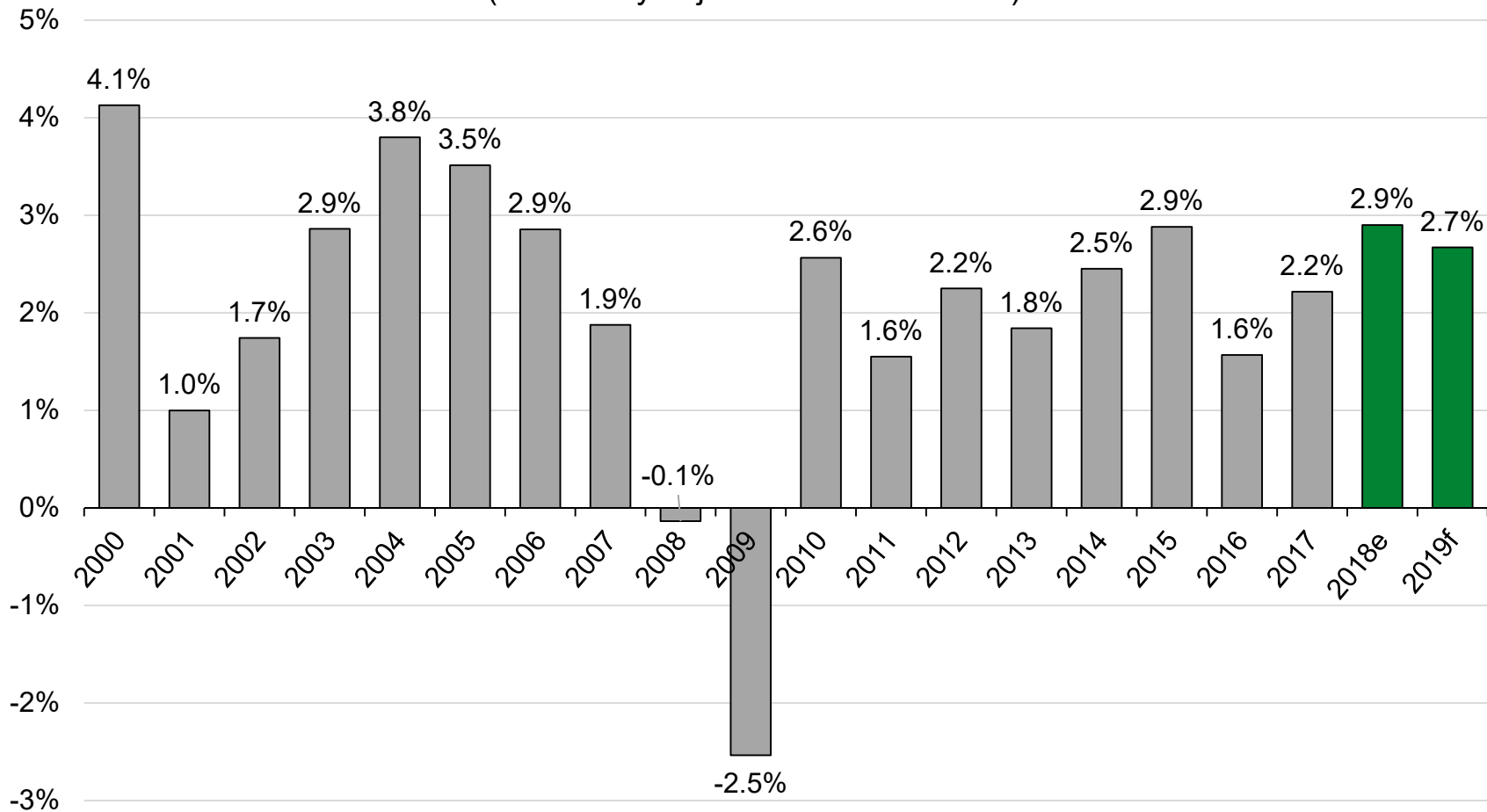
Shaded areas represent recessions as determined by the NBER Business Cycle Dating Committee.

Source: The Conference Board.

U.S. GDP Increasing Faster than Expected



Recent Quarterly Data: 1q2018=+2.2%; 2q2018=4.2%
(seasonally adjusted at annual rates)



Source: U.S. Bureau of Economic Analysis, Chained 2012 Dollars.
2018e=DRP Estimate; 2019f=DRP Forecast.

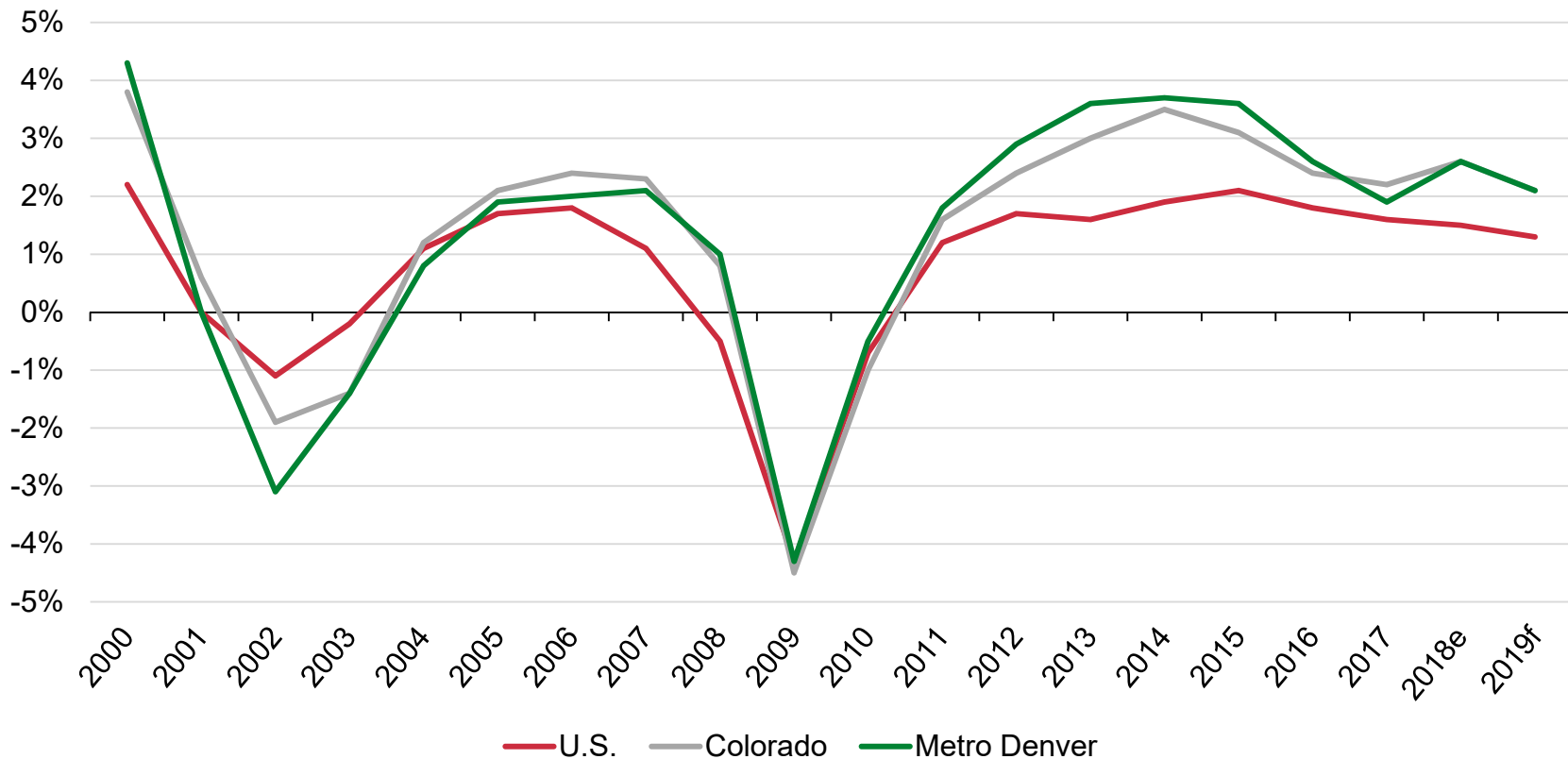
Business Momentum



Metro Denver Employment Increasing Faster than Expected

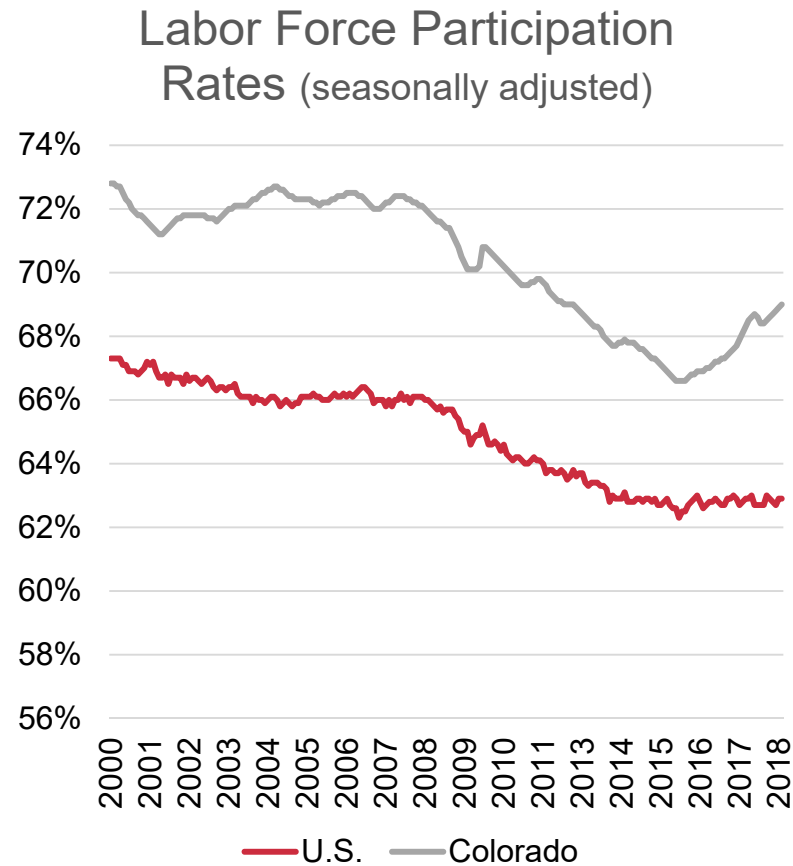


U.S. 2018 Employment = 148.9 million, +2.3 million
 Colorado 2018 Employment = 2.73 million, +70,000
 Metro Denver 2018 Employment = 1.69 million, +42,000



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics.
 2018e=DRP Estimate; 2019f=DRP Forecast.

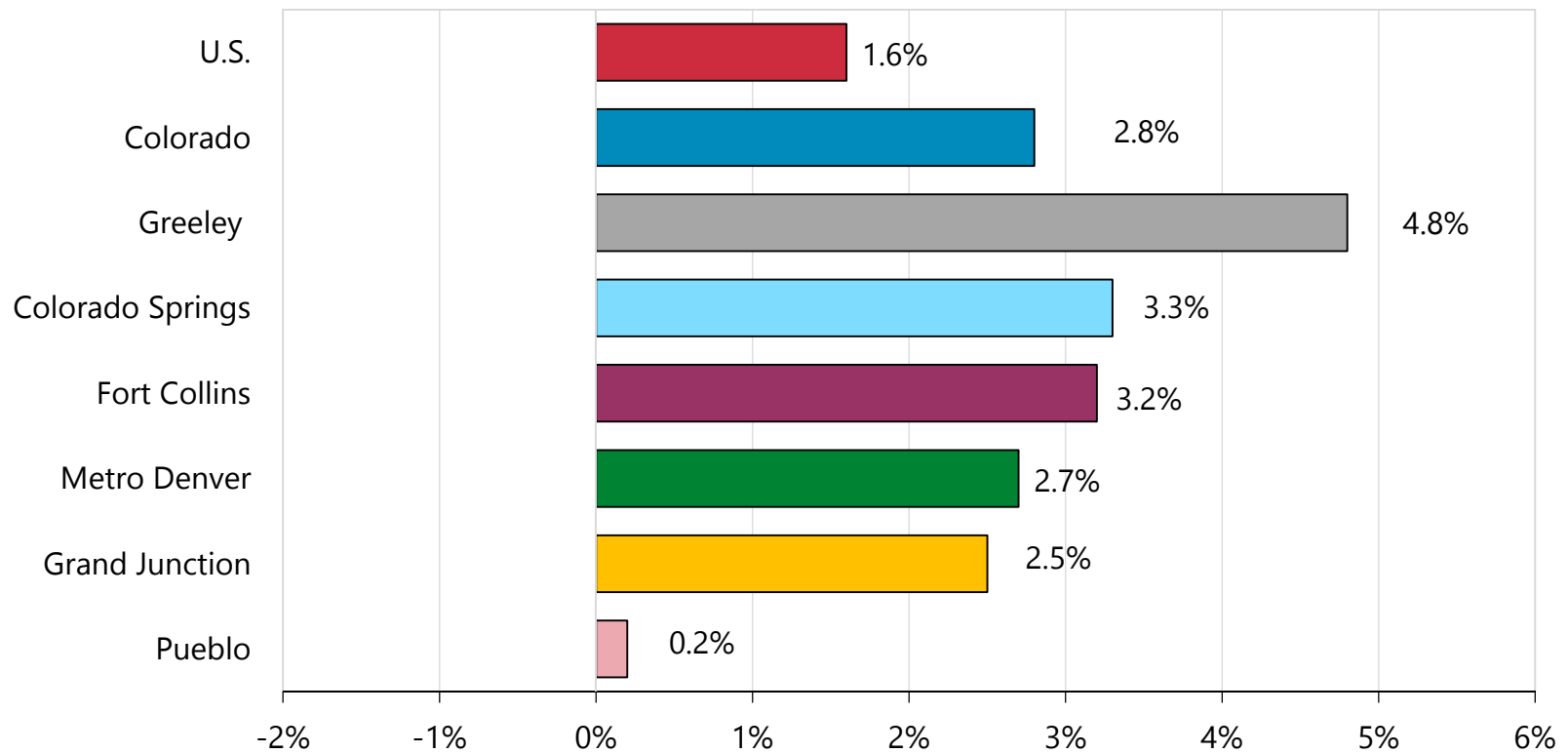
Labor Force Continues to Expand with Continued Low Unemployment



Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics.
2018e=DRP Estimate; 2019f=DRP Forecast.

Employment Growth Varies Across the State

Nonfarm Job Growth Rates by Metro Area, YTD July 2018



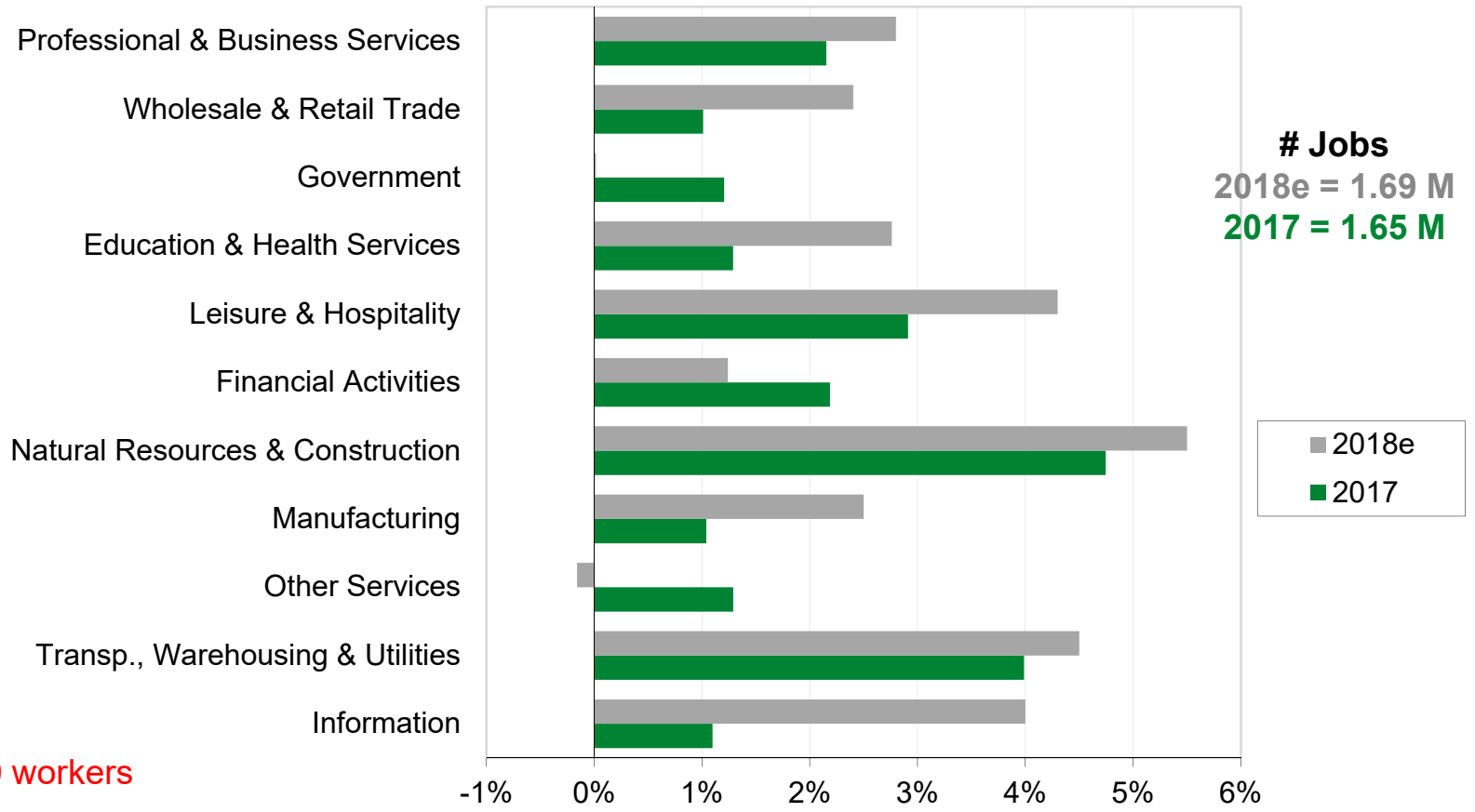
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics.

Metro Denver Employment Growth by Supersector

Largest: 306,400 workers



Smallest: 57,500 workers



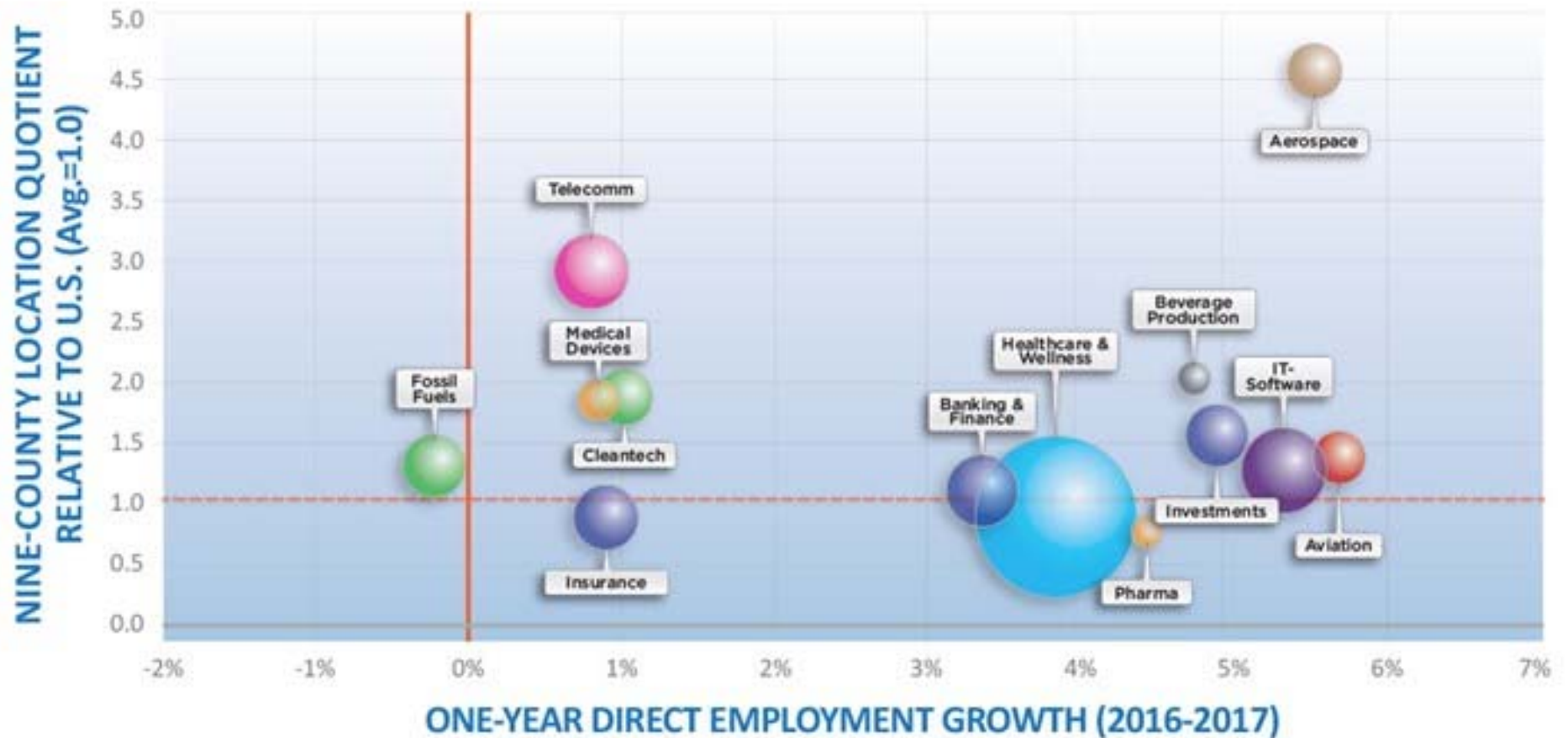
Source: Colorado Department of Labor & Employment.
2018e=DRP Estimate.



Key Metro Denver and Northern Colorado Industry Clusters

- Aerospace
- Aviation
- Beverage Production
- Bioscience
 - Medical Devices & Diagnostics
 - Pharmaceuticals & Biotechnology
- Broadcasting & Telecommunications
- Energy
 - Fossil Energy
 - Cleantech
- Financial Services
 - Banking & Finance
 - Investments
 - Insurance
- Healthcare & Wellness
- IT/Software

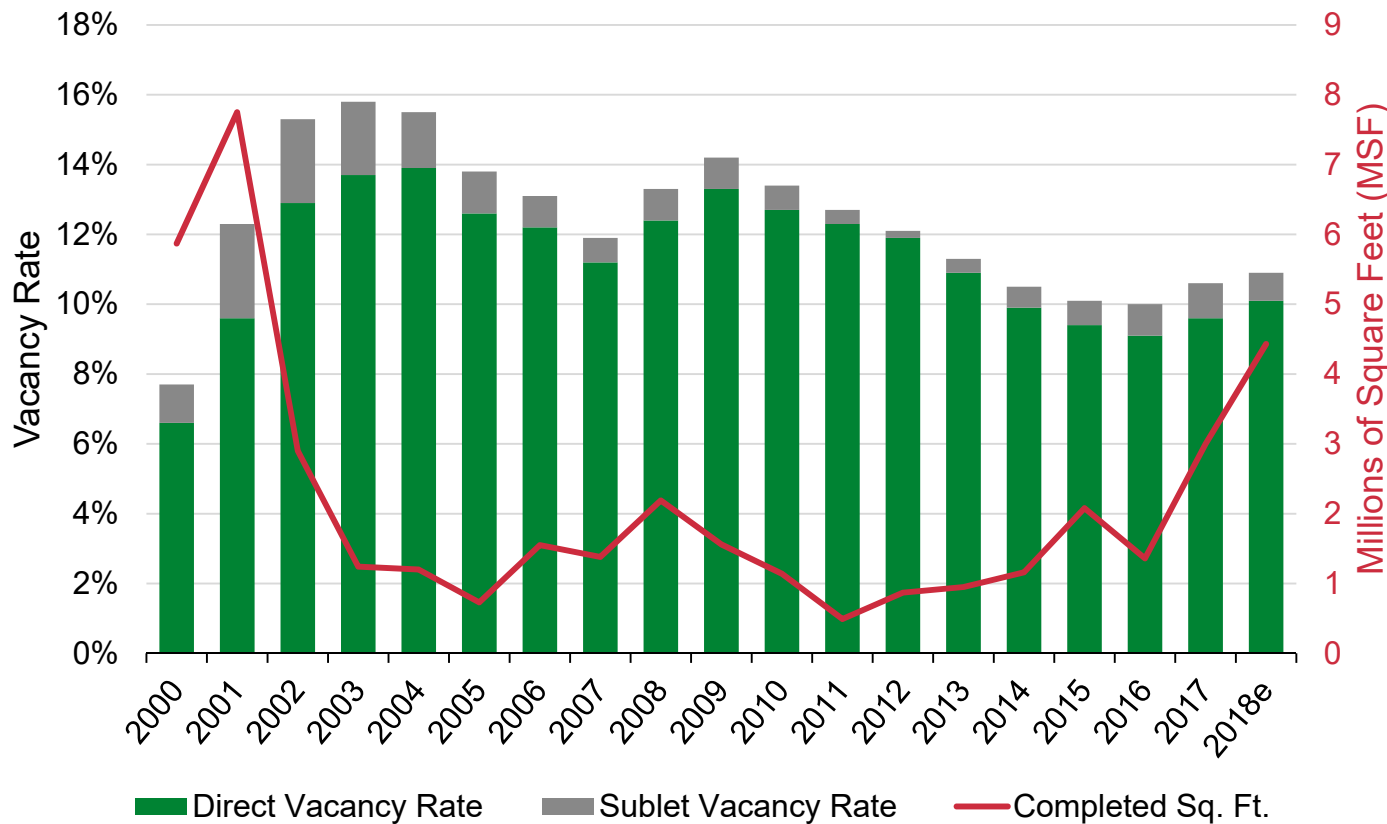
Metro Denver and Northern Colorado Industry Clusters, 2016-2017



Full reports at www.metrodenver.org

Source: Development Research Partners.

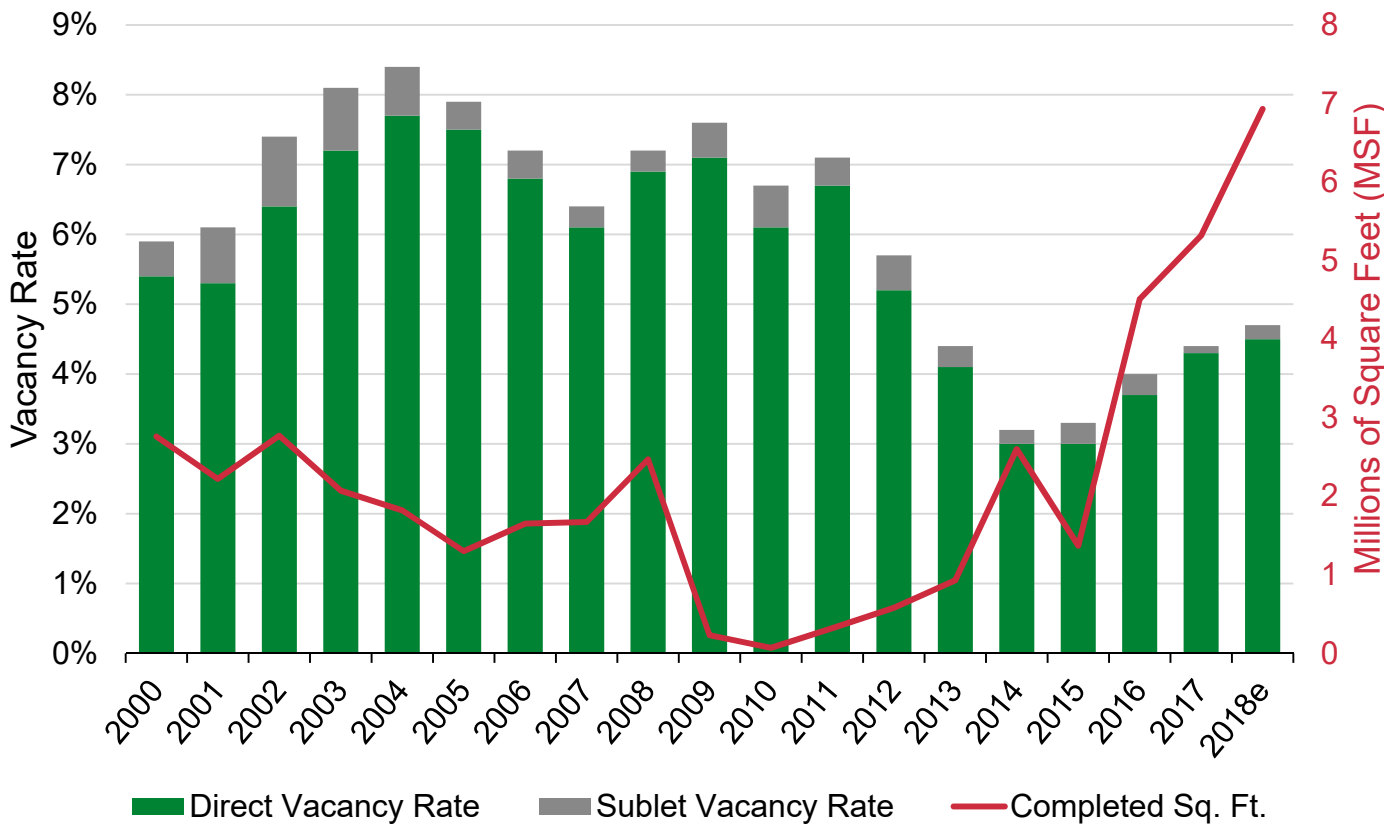
Office Market Still Healthy, but Showing Signs of Change



2Q 2018
 Total Space = 189.1 MSF
 Lease Rate = \$26.61
 YOY Change = +2%
 Under Construction = 3.72 MSF
 Completed To Date = 2.88 MSF

Source: CoStar Group, Inc.
 2018e=DRP Estimate.

Record Level of Industrial Space to be Completed in 2018

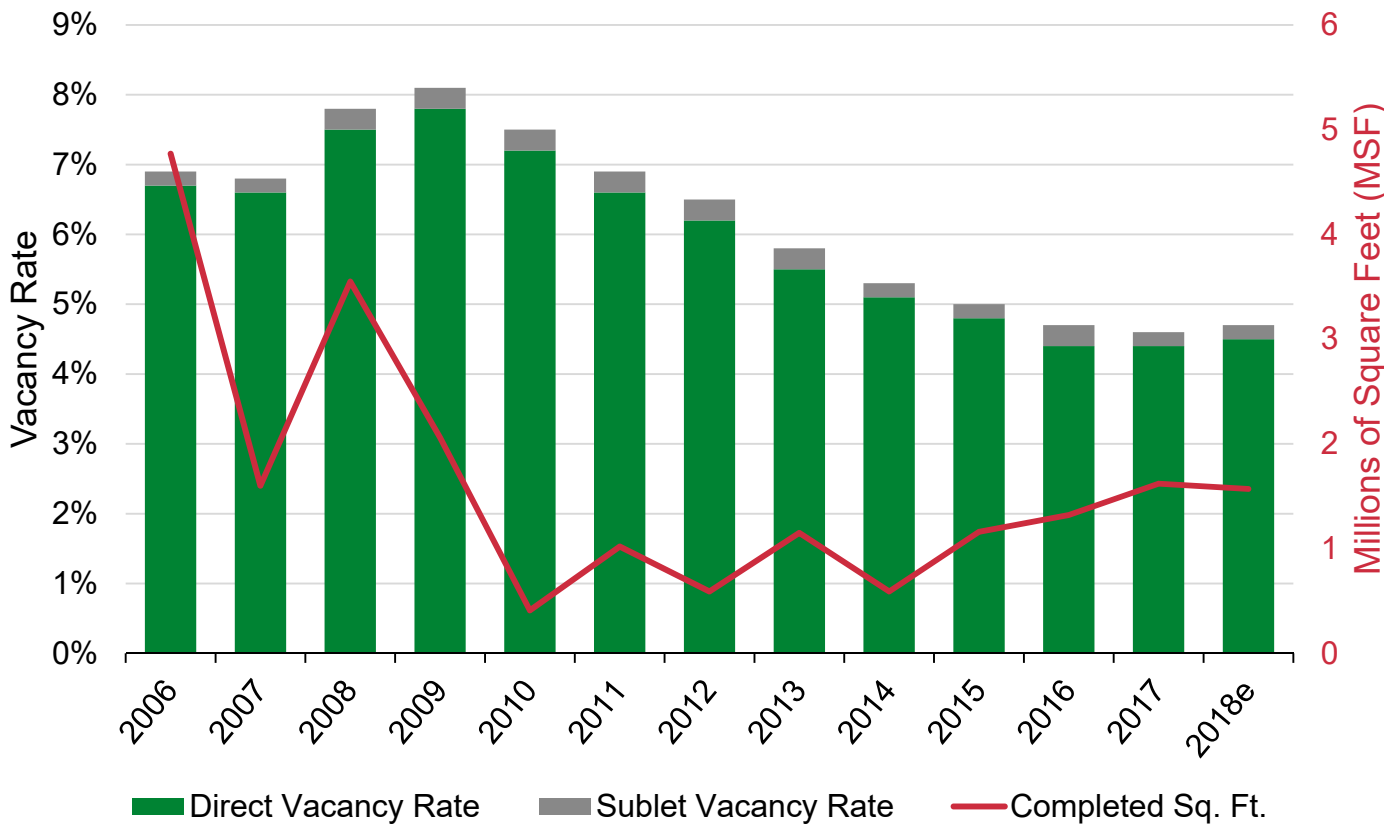


2Q 2018
Total Space = 218.3 MSF
Lease Rate = \$7.86 NNN
YOY Change = +3.4%
Under Construction = 6.33 MSF
Completed To Date = 1.34 MSF

Source: CoStar Group, Inc.
 2018e=DRP Estimate.



Retail Market Healthy Despite Major Company Closures



2Q 2018
Total Space = 168.5 MSF
Lease Rate = \$18.19 NNN
YOY Change = +4.5%
Under Construction = 1.59 MSF
Completed To Date = 0.53 MSF

Source: CoStar Group, Inc.
 2018e=DRP Estimate.



The Case for Business Momentum...

Decreasing

- Hard to find workers
- Rising interest rates
- Rising wages and costs
- Tariffs on raw materials
- National debt concerns

Increasing

- Diversity of economic base
- Confident consumers
- Technology driving major changes
- Active commercial real estate market
- Large infrastructure projects underway

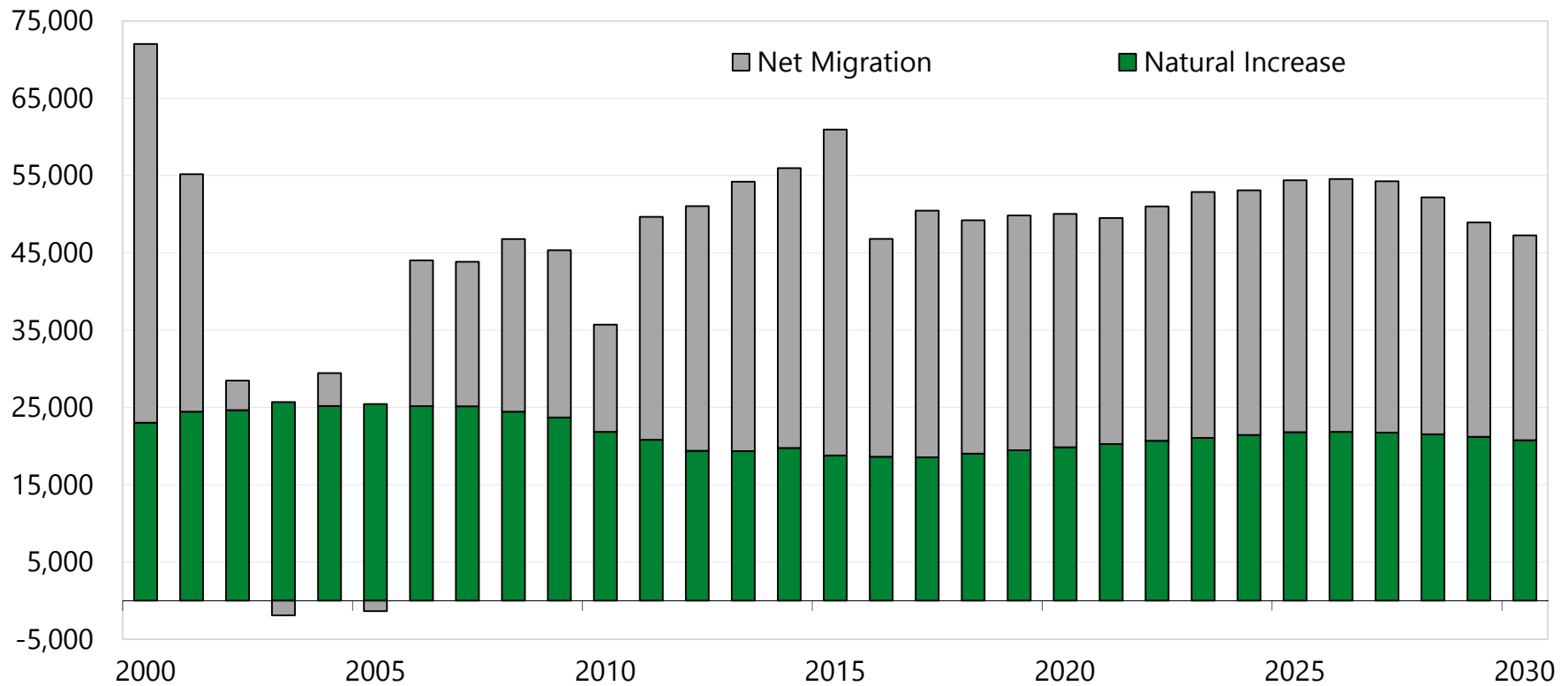
Consumer Momentum



Metro Denver Annual Change in Population



2018 Population = 3.22 Million



Source: Colorado Division of Local Government, State Demography Office.

Consumers Are Confident & Spending



Retail Change in Various Markets (YTD)

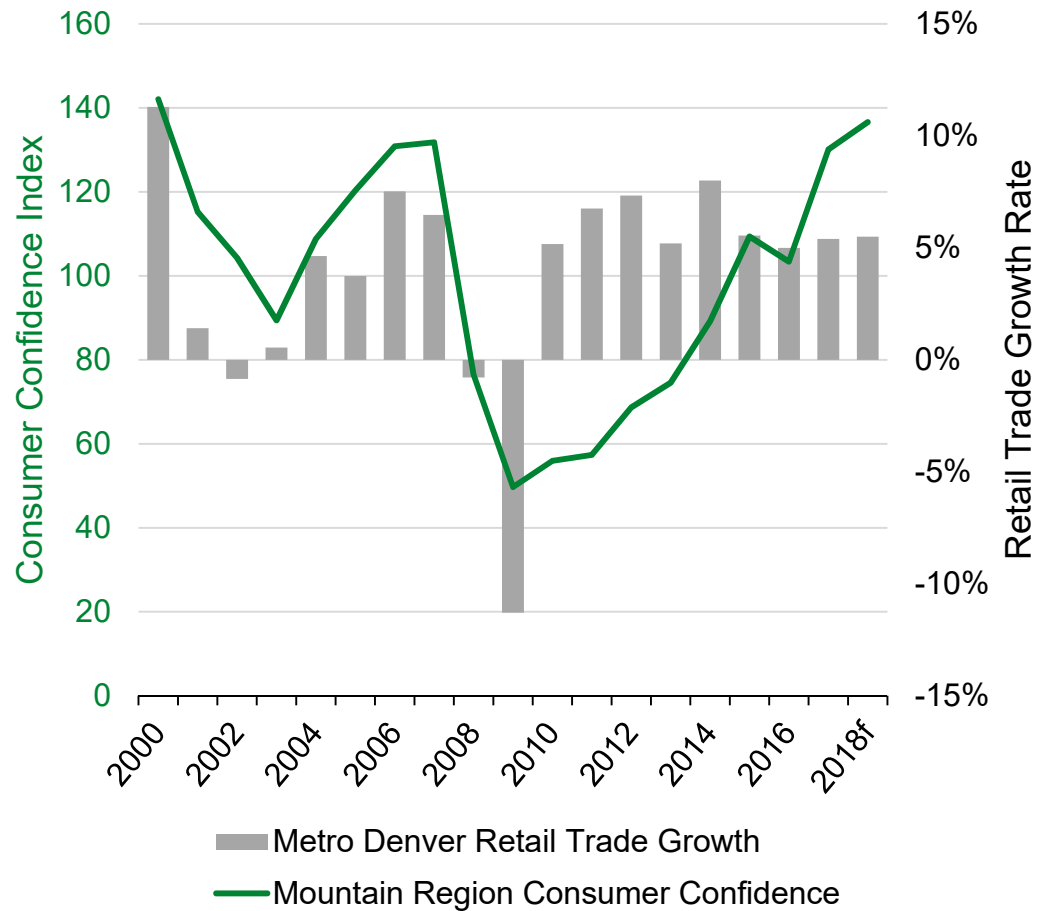
National: +5.1% (May)

Denver: +6.5% (March)

Aurora: +5.7% (May)

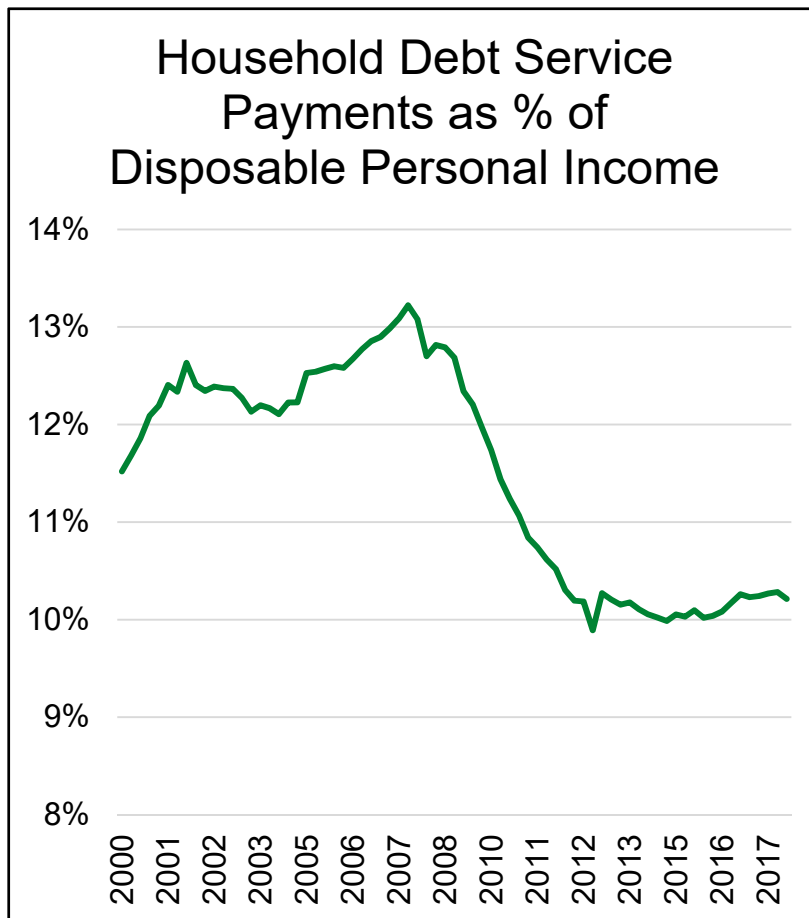
Broomfield: +4.9% (June)

Centennial: +4.4% (March)

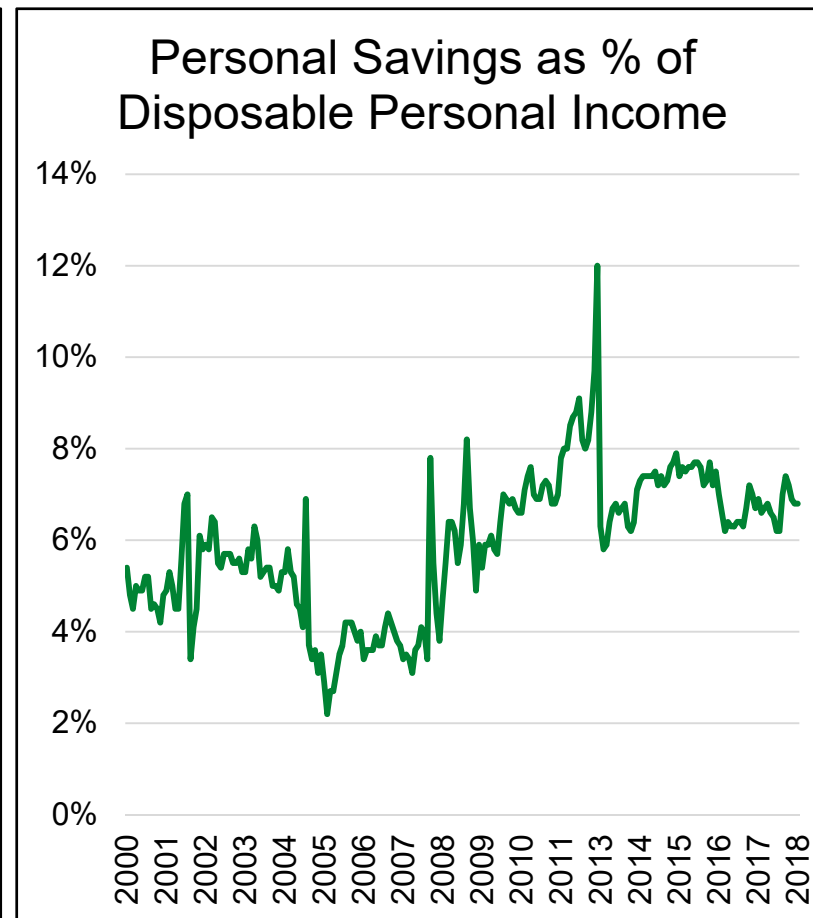


Sources: Colorado Department of Revenue; The Conference Board.
 2017e=DRP Estimate; 2018f=DRP Forecast.

Household Debt and Savings Rates at Reasonable Levels

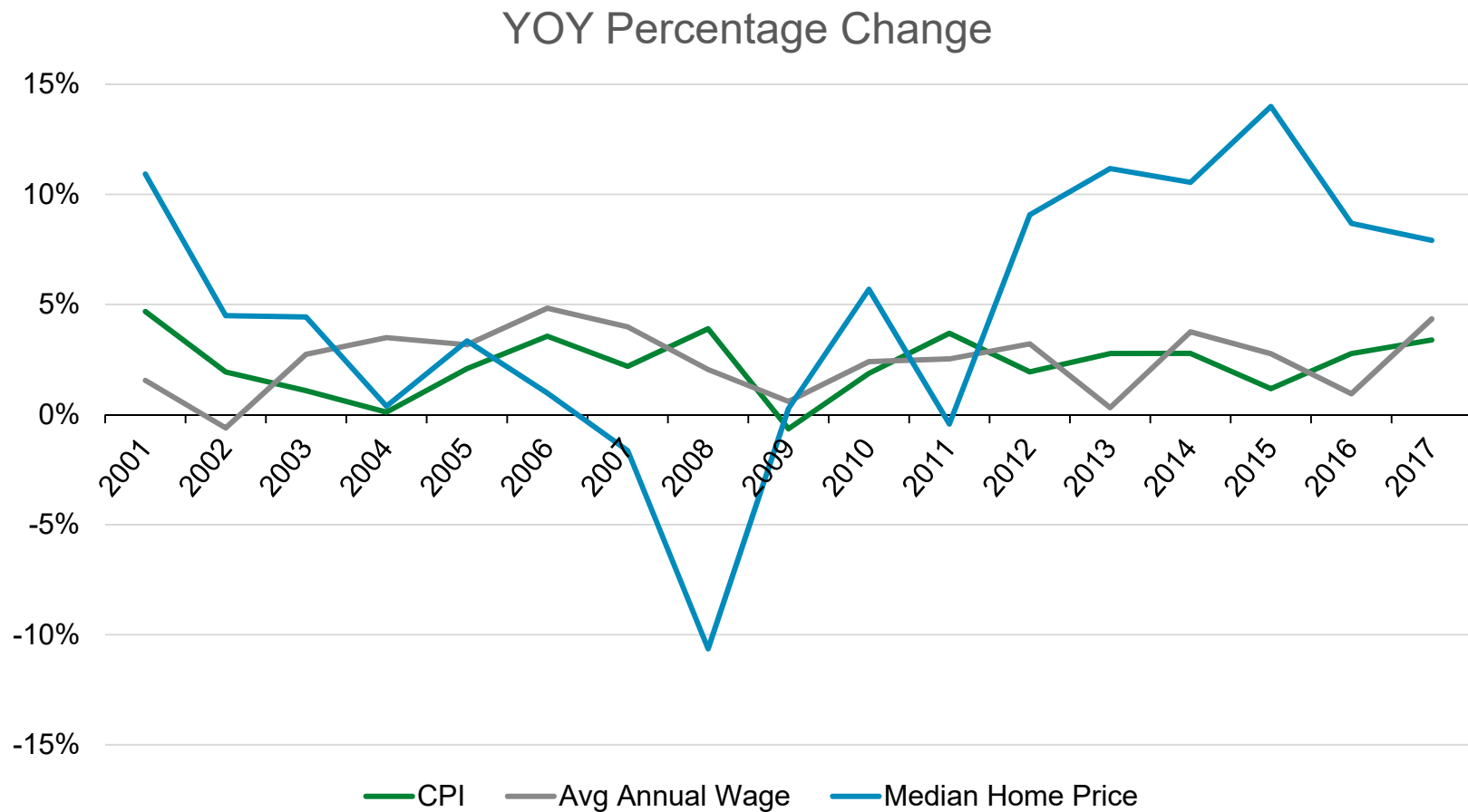


Source: Federal Reserve Bank of St. Louis.



Source: U.S. Bureau of Economic Analysis.

Wages Increasing Faster than Inflation, but not Faster than Housing Costs

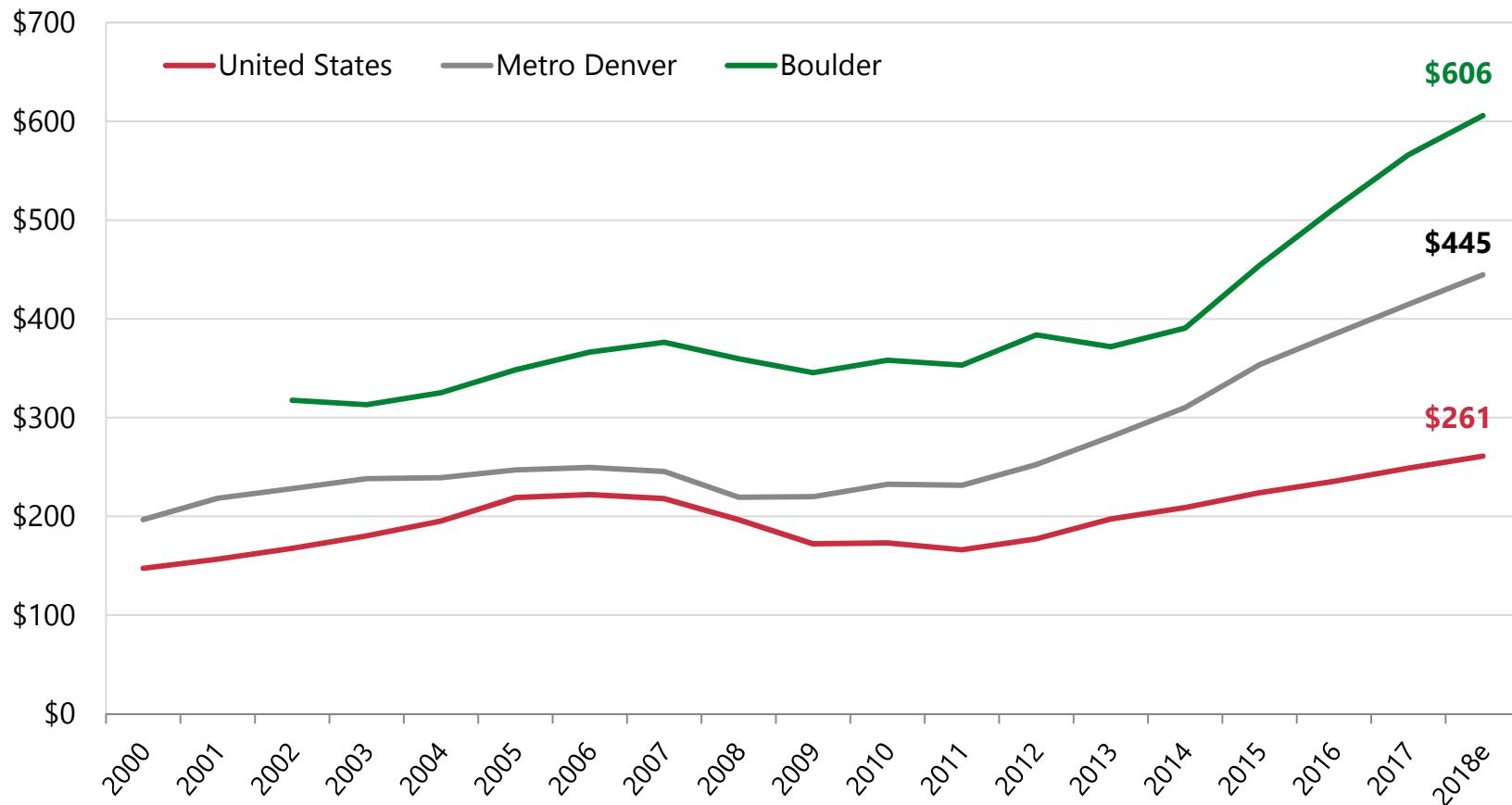


Sources: U.S. Bureau of Labor Statistics; National Association of REALTORS.

Metro Denver #13 and Boulder #6 for Highest Median Home Price, 2Q 2018



Median Home Prices (in thousands)

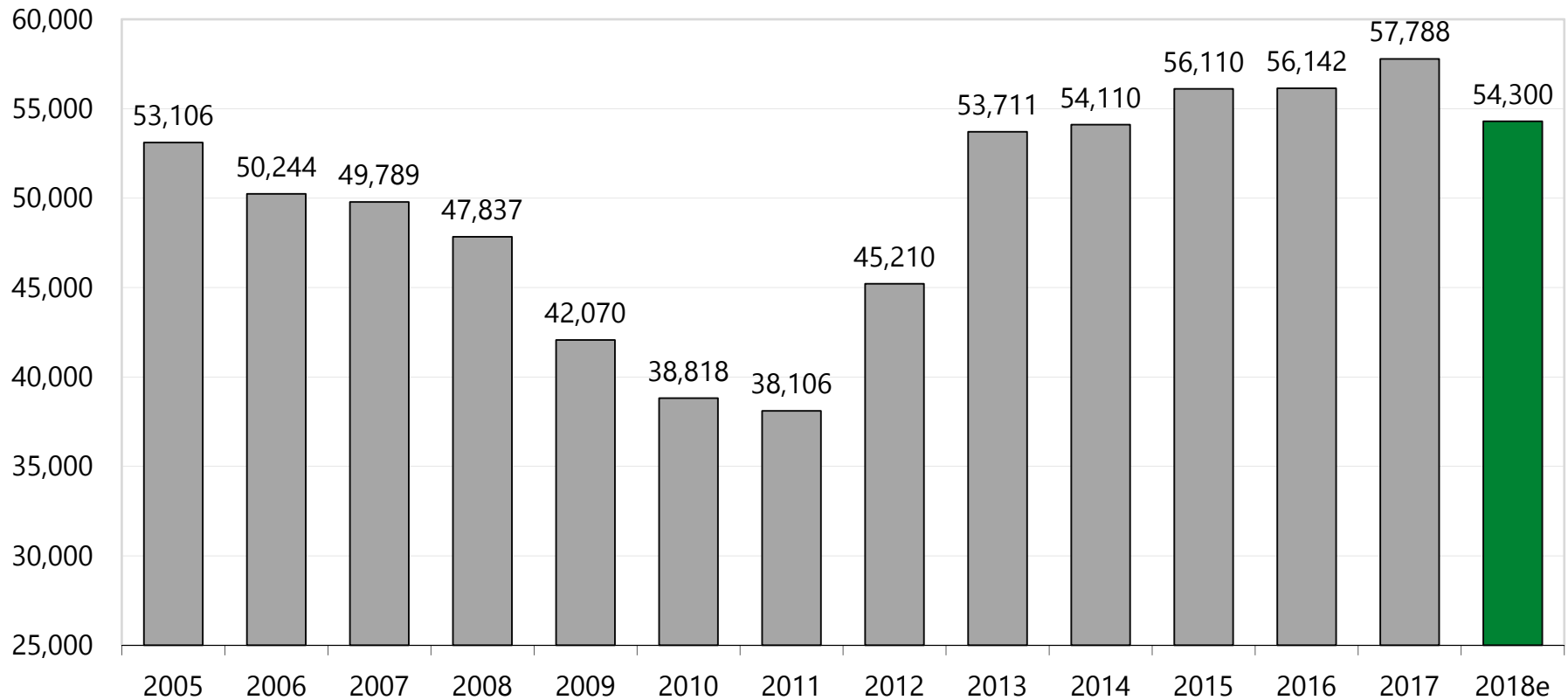


Source: National Association of REALTORS.
2018e=DRP Estimate.

Home Sales Slowing due to Lack of Inventory, Rising Prices

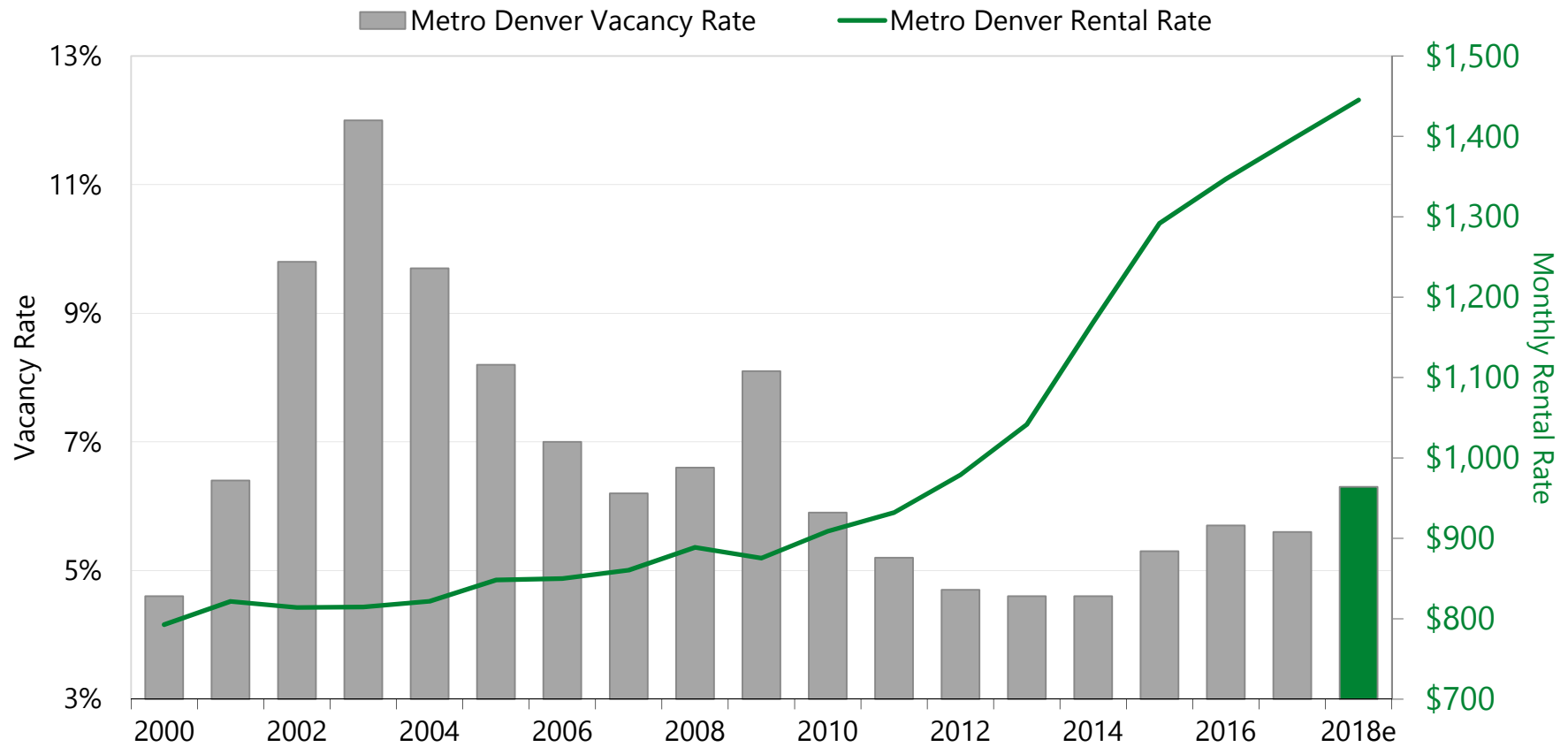


Metro Denver Existing Home Sales Closed



Sources: Metrolist (2005-2010); Denver Metro Association of REALTORS (2011-2017).
2018e=DRP Estimate.

Apartment Vacancy and Rental Rates Rising at Moderate Pace



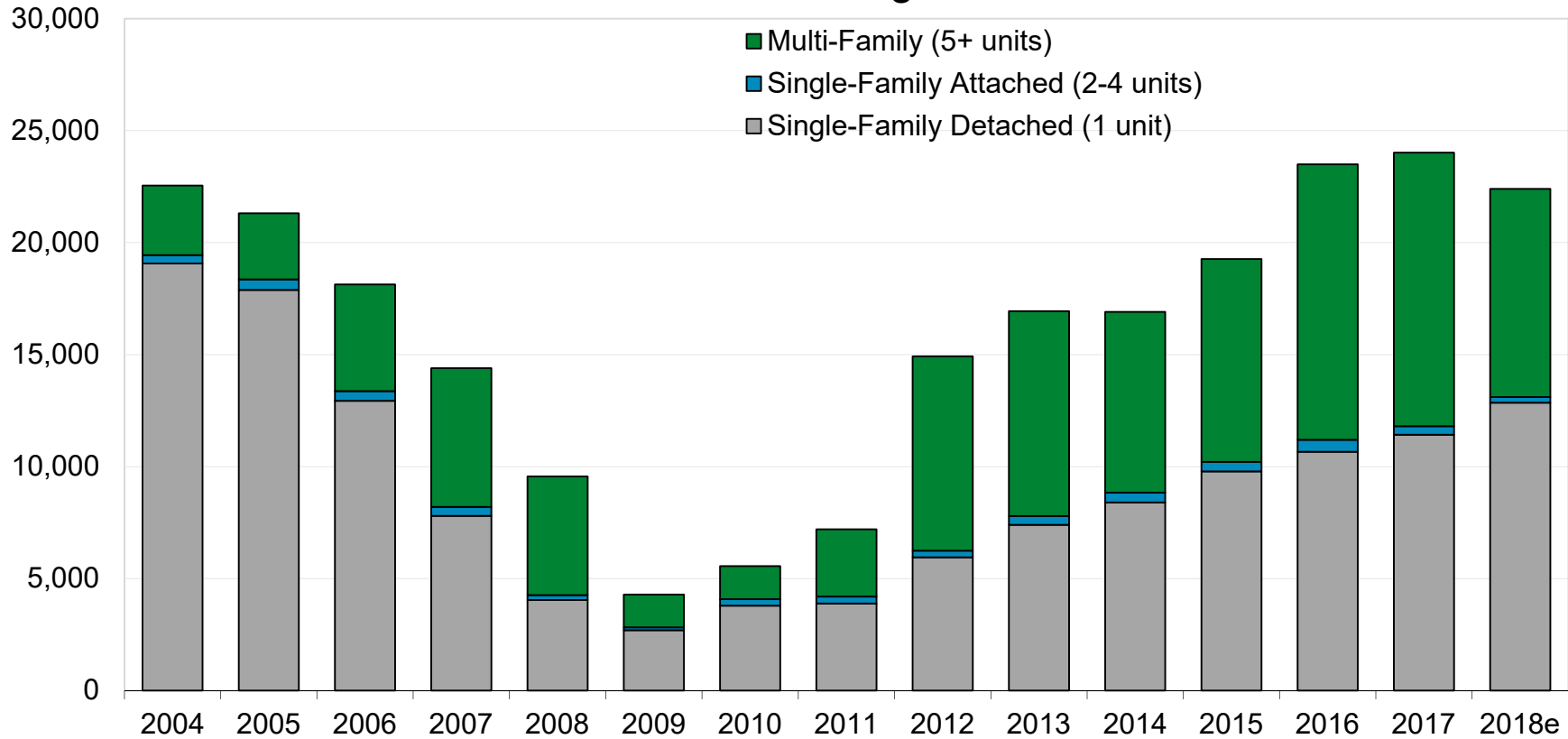
Source: Denver Metro Apartment Vacancy & Rent Survey.
2018e=DRP Estimate.

Multi-family 51% of New Construction in 2017, 41% in 2018

(30+ year average = 28%)



Metro Denver Building Permits*



* The Census Bureau tracks building permits by the number of housing units in the structure.
 Source: U.S. Census Bureau, Building Permits.
 2018e=DRP Estimate.

The Case for Consumer Momentum...

Decreasing

- Rising interest rates
- Rising inflation rate
- Housing costs increasing faster than wages
- Lack of affordable housing

Increasing

- Continued job growth
- Tax Cuts and Jobs Act influence
- Some tempering in residential markets
- Increasing wealth effect (stock, home prices)

Questions?

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