

Maintaining Equilibrium



Metro Denver
2017 Economic Forecast
January 2017



Consumer Activity

Income

Wealth

Prices

Interest Rates

**Consumer
Confidence**



Spend or Save?

Retail Spending

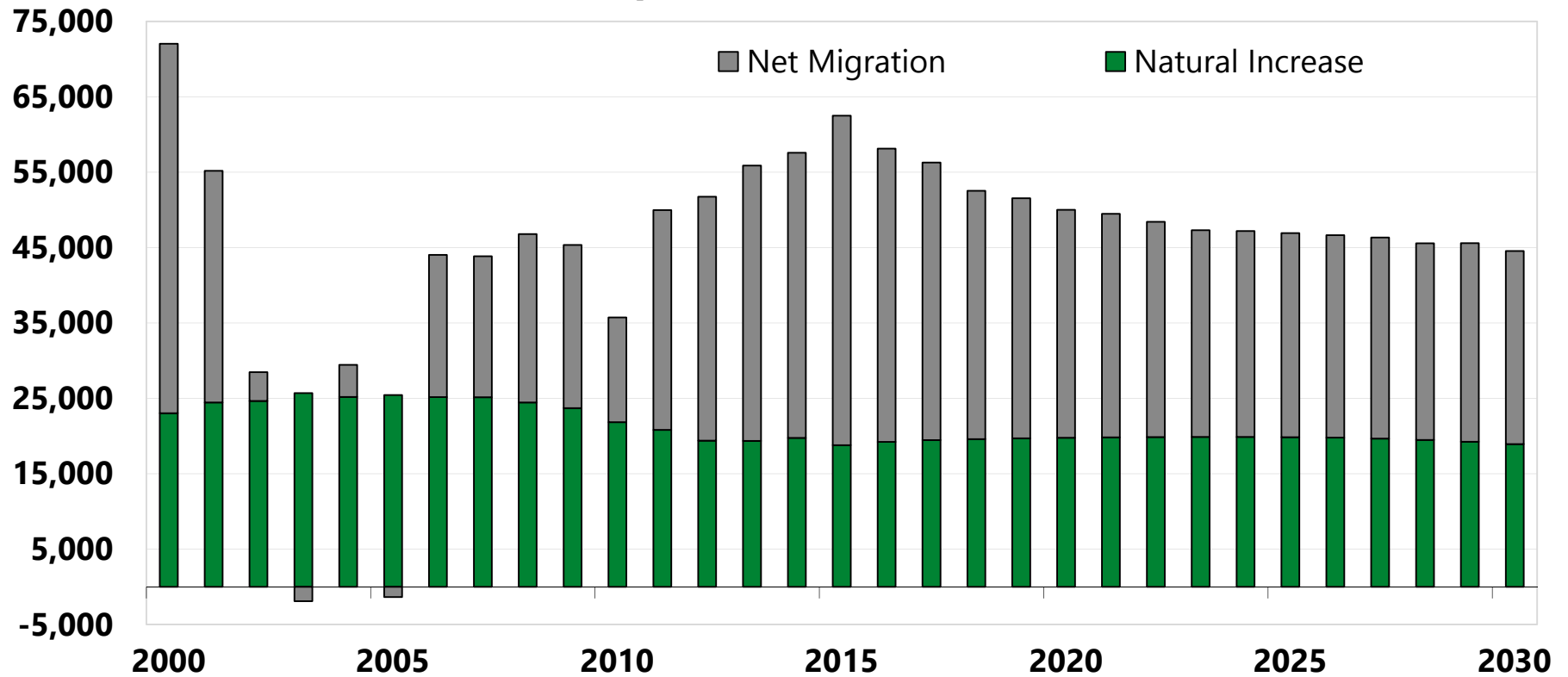
What & Where?

Housing Options

**Retirement
Planning**

Metro Denver Annual Change in Population

2016 Population = 3.13 Million

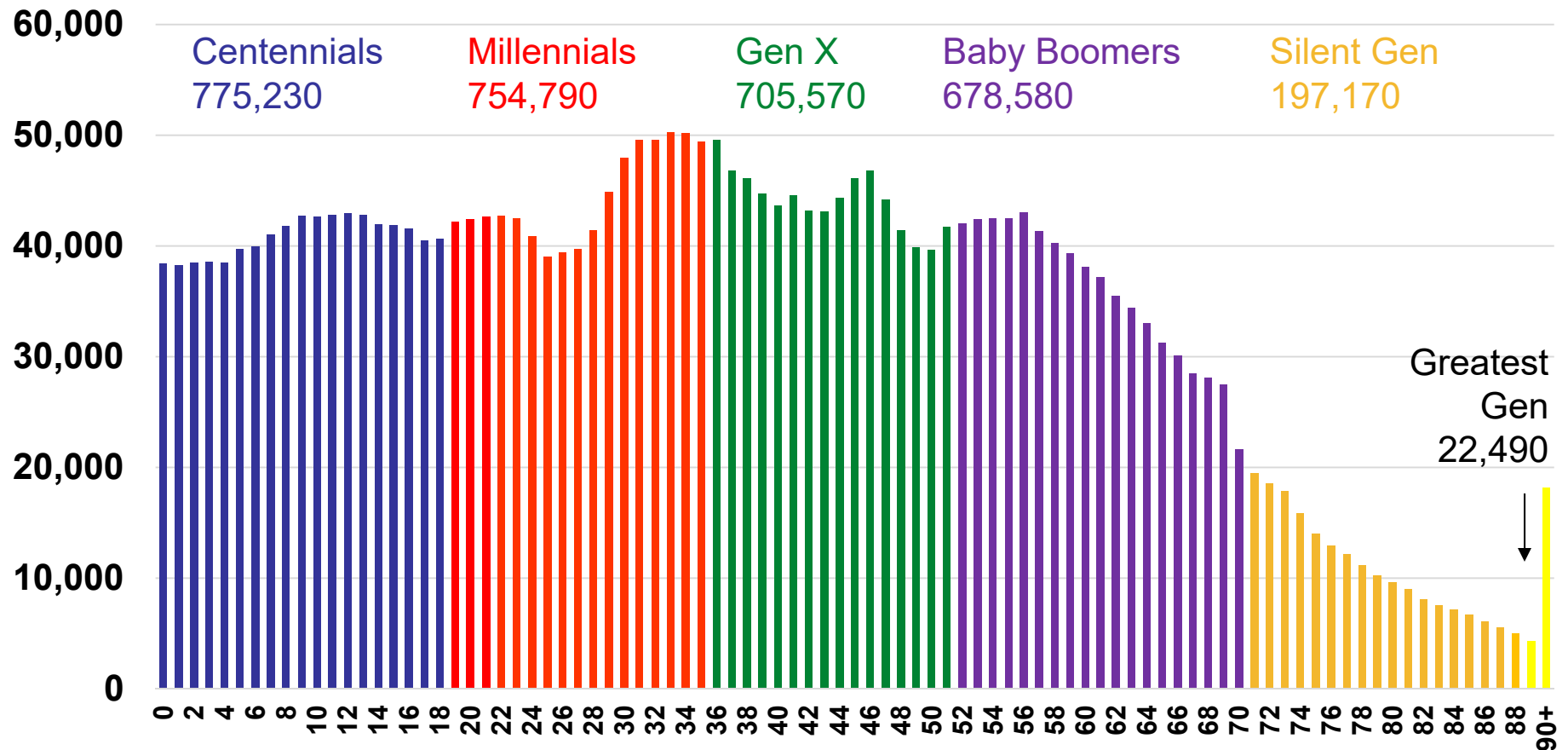


Source: Colorado Division of Local Government, State Demography Office.

Millennials largest population group*

(*end of Centennials not yet determined)

Metro Denver Population 2016 = 3.13 million



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



Can Consumers Continue the Pace?

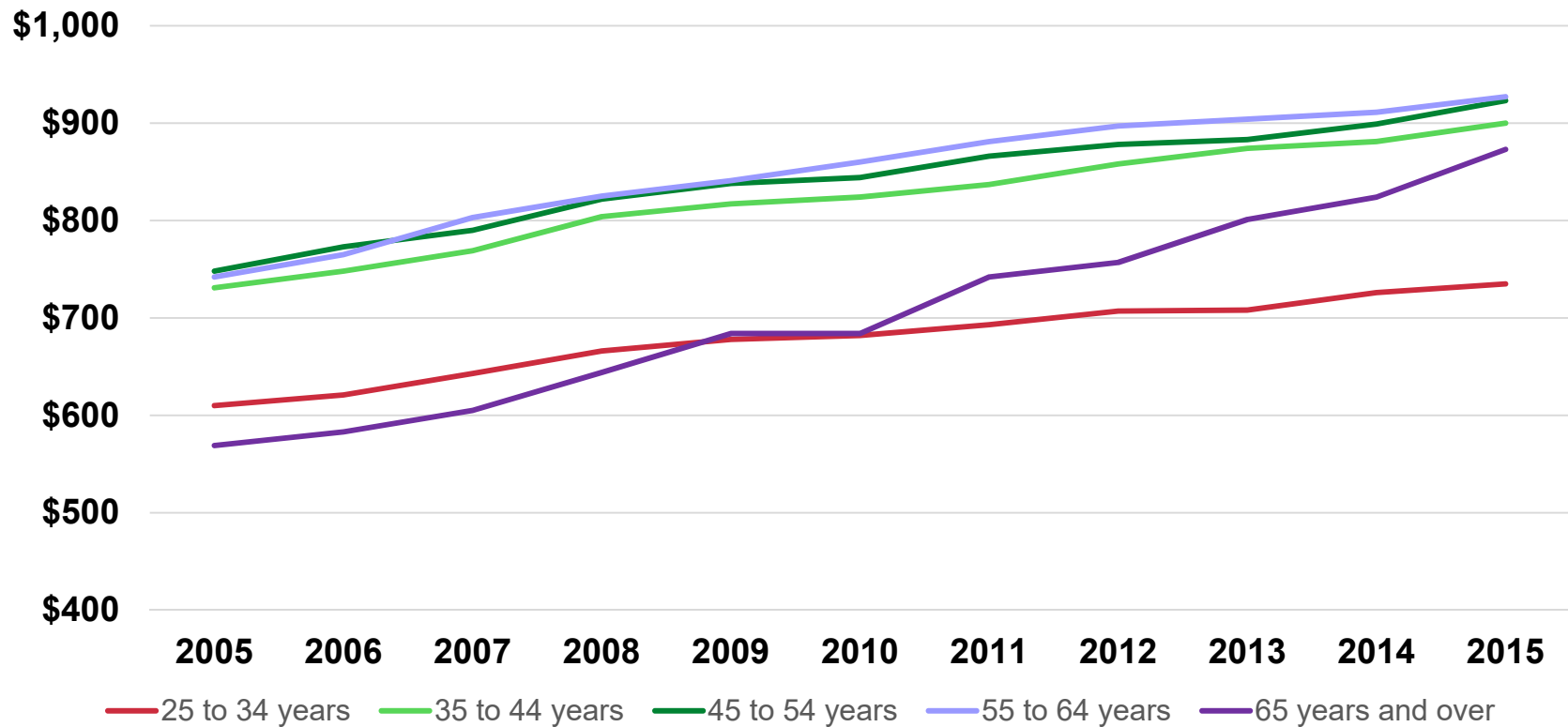
- Additional 50,900 jobs per year (2014-2016)
- Avg Annual Wage +2.1% per year (2014-2016)
- DOW +13.4%; S&P 500 +9.5%
- Total HH Debt: \$12.3 Trillion (Q2 2016), +3.7%

Trillions	Q2 2016	Q2 2015	% Change
Mortgage	\$8.4	\$8.1	3.0%
Home Equity	\$0.5	\$0.5	-4.2%
Student Loans	\$1.3	\$1.2	5.8%
Auto Loans	\$1.1	\$1.0	9.7%
Credit Cards	\$0.7	\$0.7	3.7%
Other	\$0.4	\$0.3	4.9%
TOTAL	\$12.3	\$11.9	3.7%

- Savings rate 5.8%, up from 20-year avg of 5%

Millennials not yet at income potential

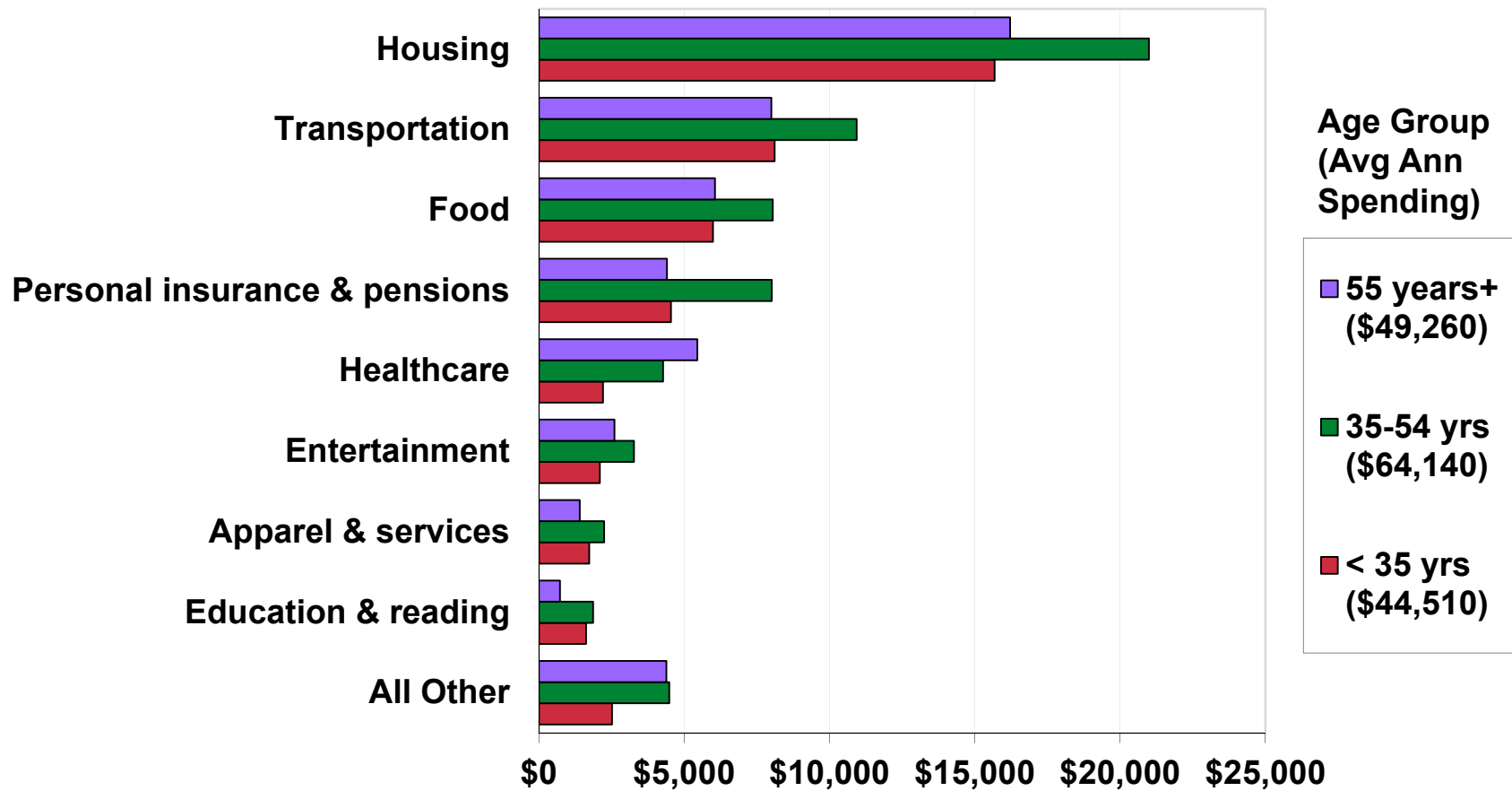
Median Weekly Earnings by Age Group



Source: U.S. Bureau of Labor Statistics, Current Population Survey.

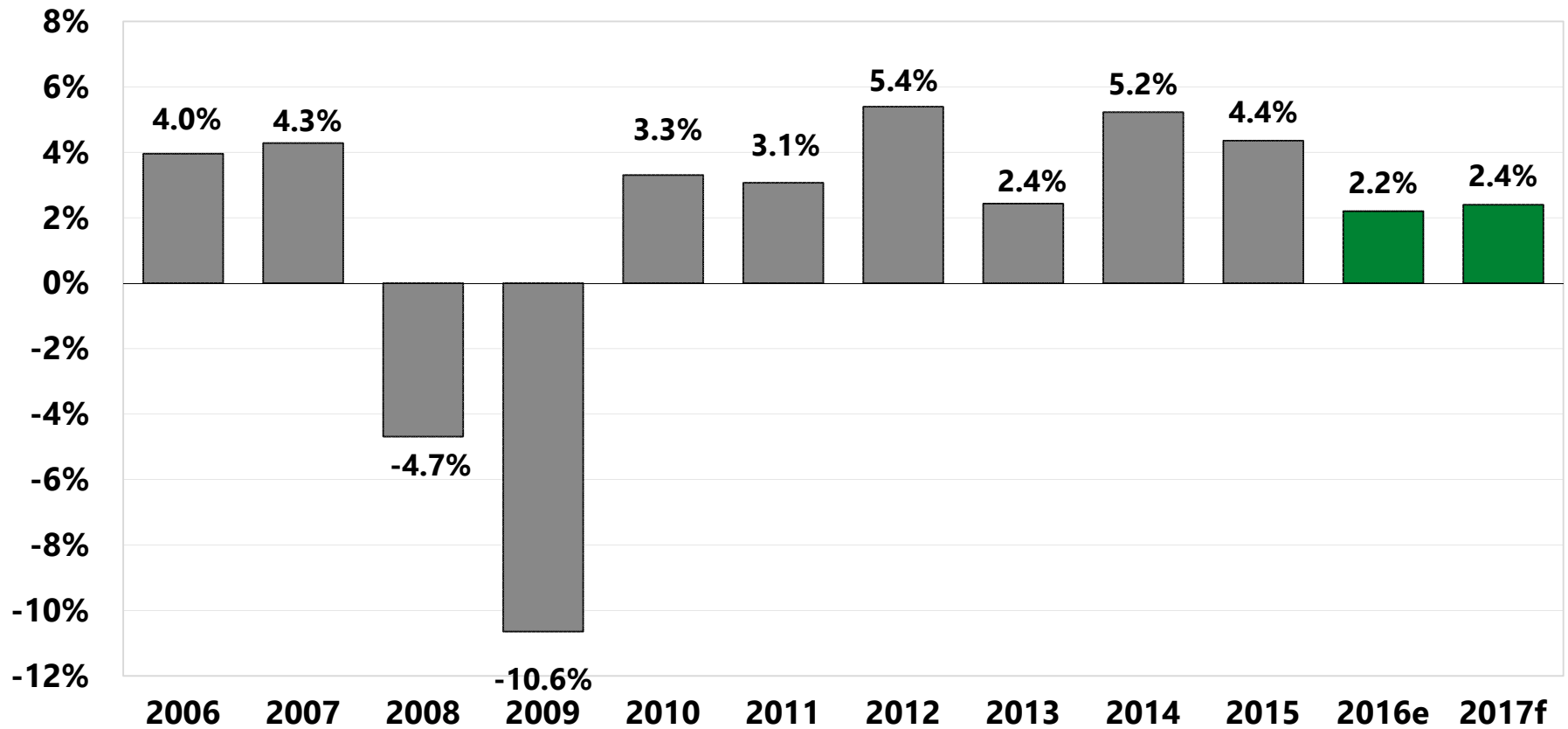
Spending patterns differ by generational group (Top 3 categories = 70% Millennials; 62% Gen X & Boomers)

Consumer Spending by Category by Age



Source: U.S. Bureau of Labor Statistics, 2014 Consumer Expenditure Survey.

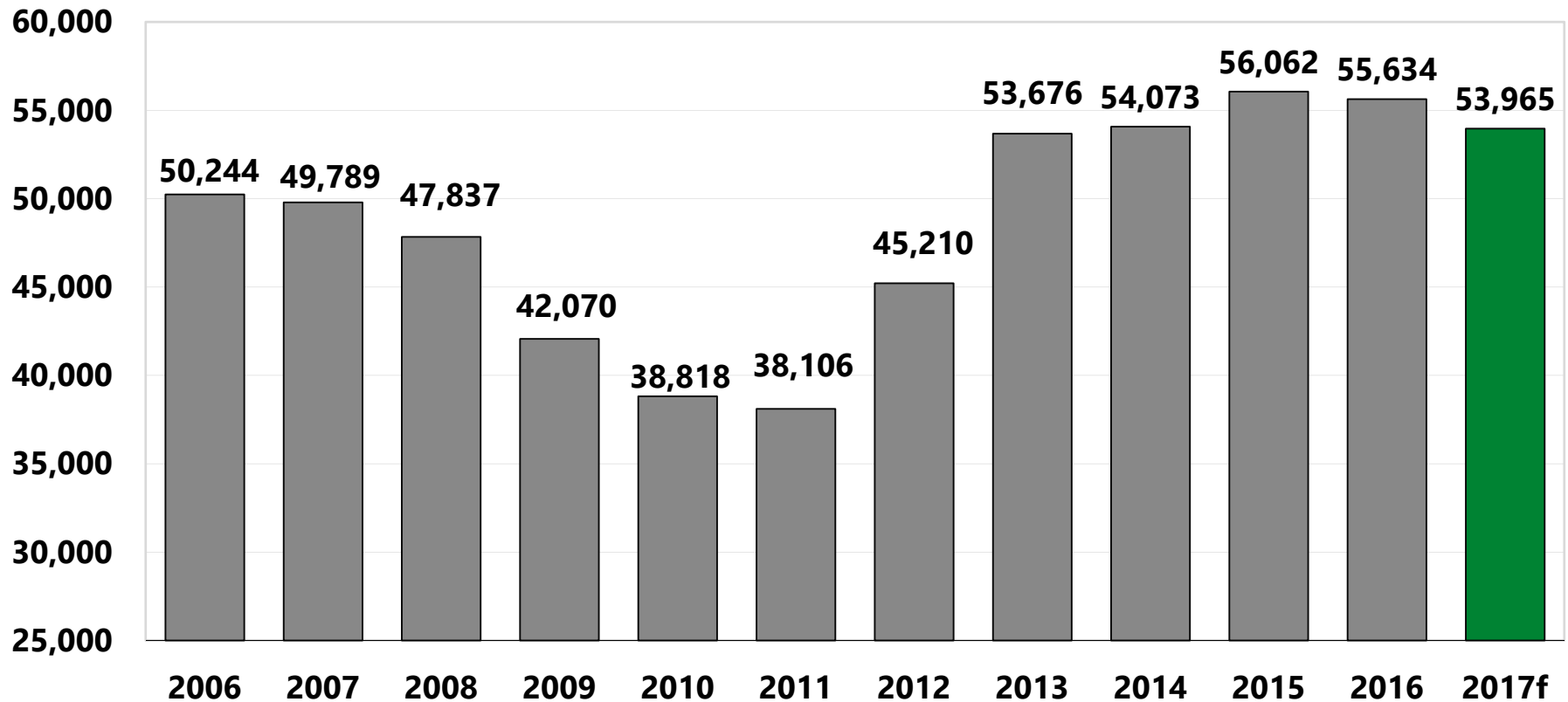
Metro Denver Real Retail Trade Sales Growth Rates



Source: Colorado Department of Revenue.
2016e = DRP estimate; 2017f = DRP forecast

Home sales begin to slip, though remain at a reasonable level

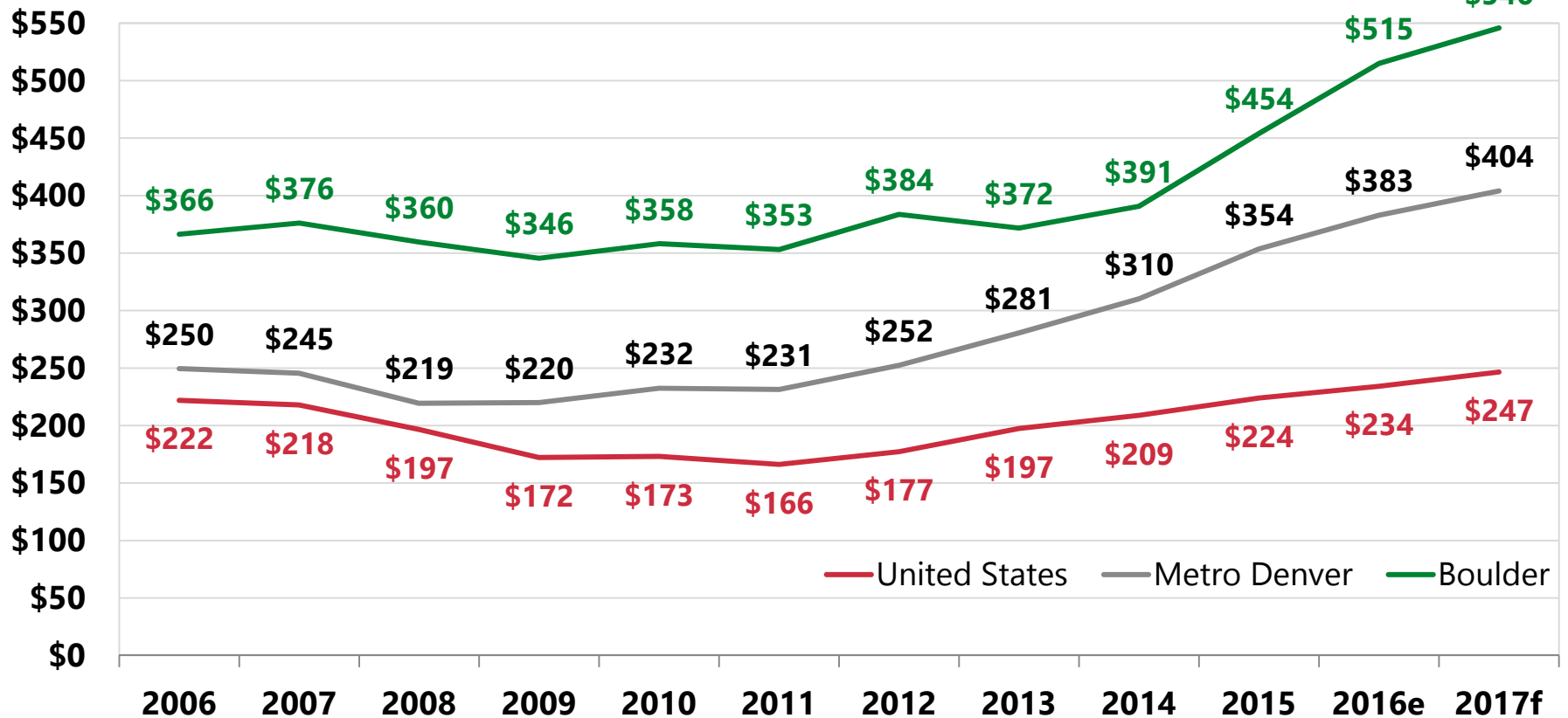
Metro Denver Existing Home Sales Closed



Sources: Metrolist (2005-2010); Denver Metro Association of REALTORS (2011-2016).
2017f = DRP forecast

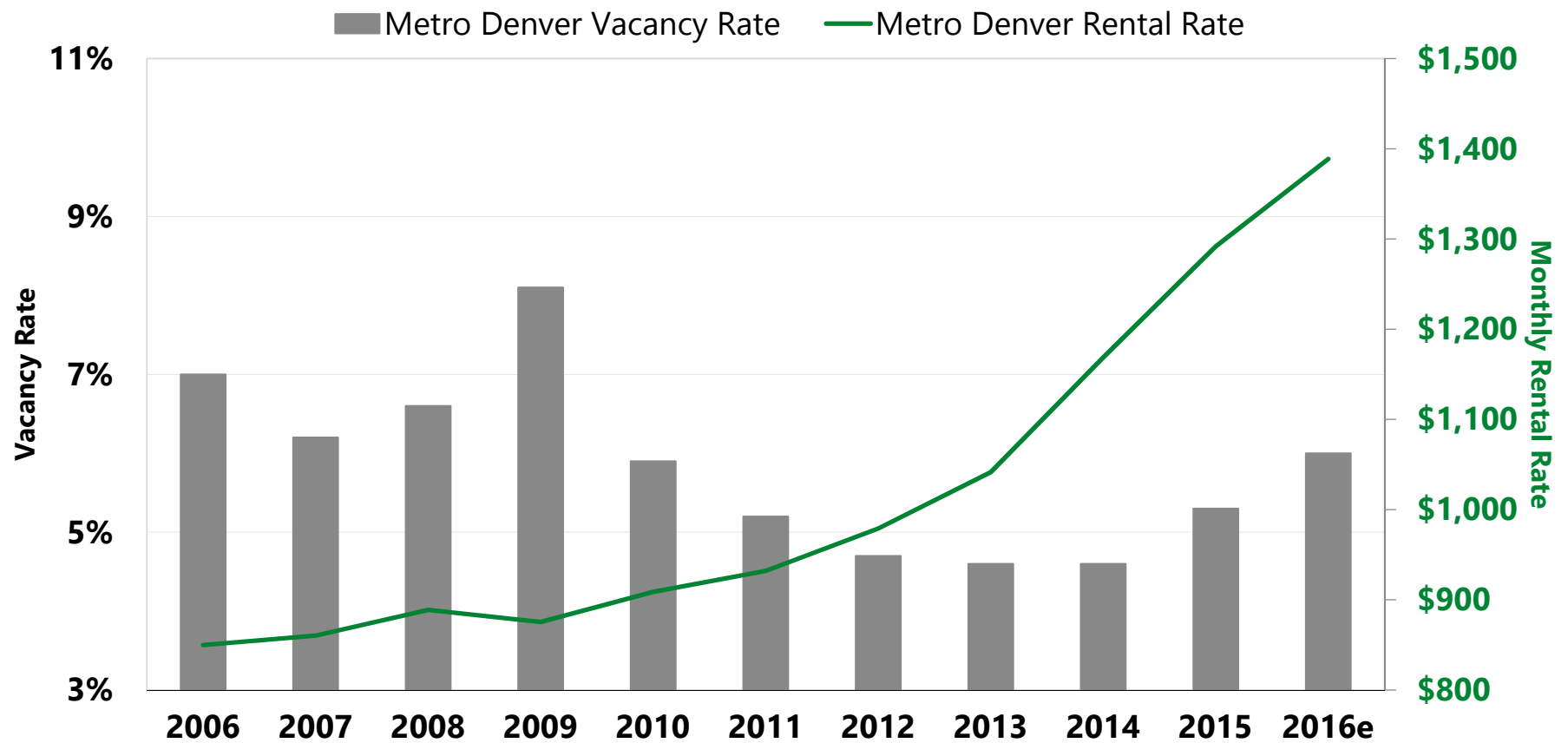
Metro Denver ranked #16 and Boulder #7 for highest median home price in 3Q 2016

Median Home Prices (in thousands)



Source: National Association of REALTORS.
2016e = DRP estimate; 2017f = DRP forecast

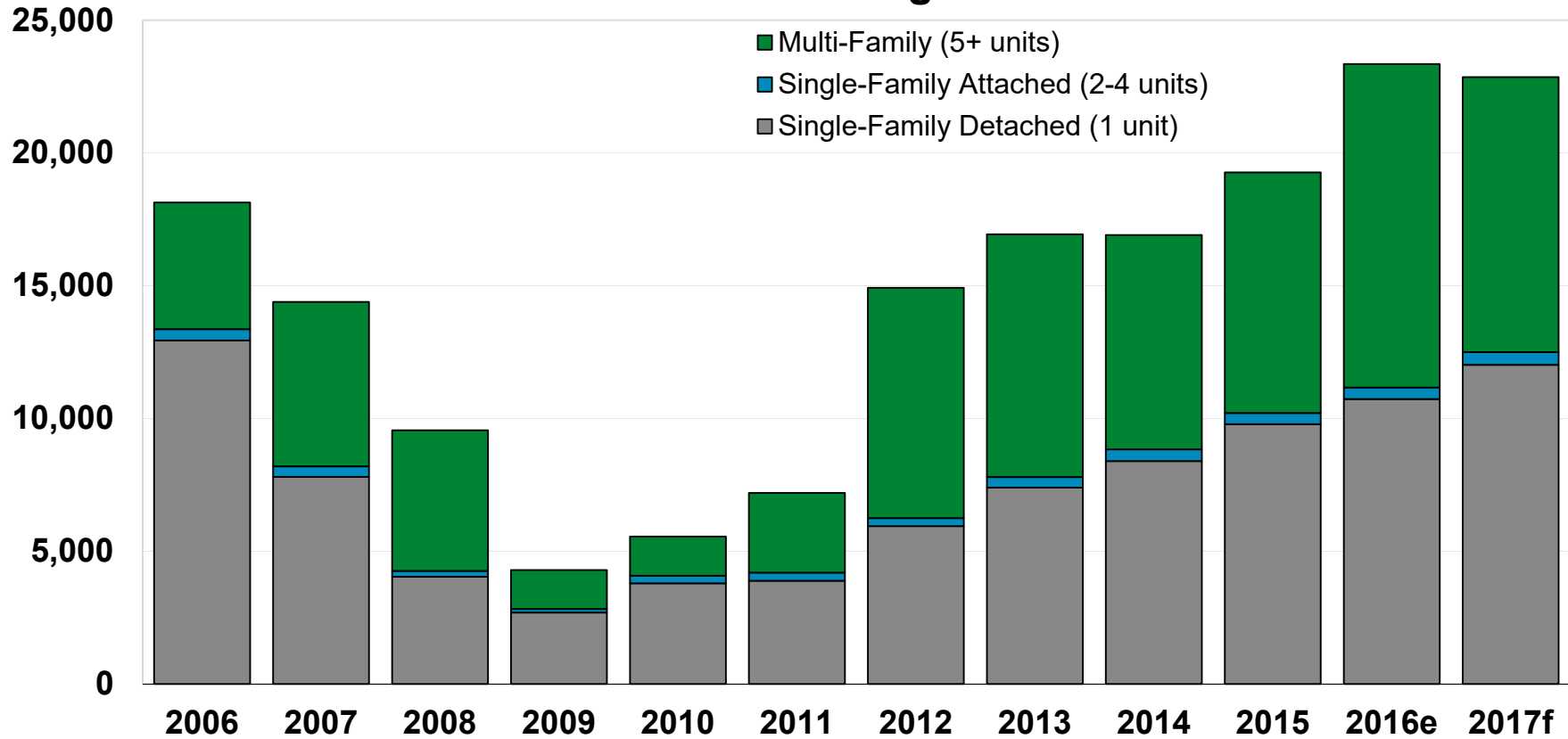
Apartment Vacancy and Rental Rates



Source: Denver Metro Apartment Vacancy & Rent Survey.
2016e = DRP estimate

Multi-family represents 52% of new construction in 2016 (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.
 2016e = DRP estimate; 2017f = DRP forecast

Business Activity

Sales

Expectations

Materials Costs

Wage Levels

Tax Policy

**Regulatory
Issues**

Interest Rates

Healthcare Costs

Political Climate



Staffing

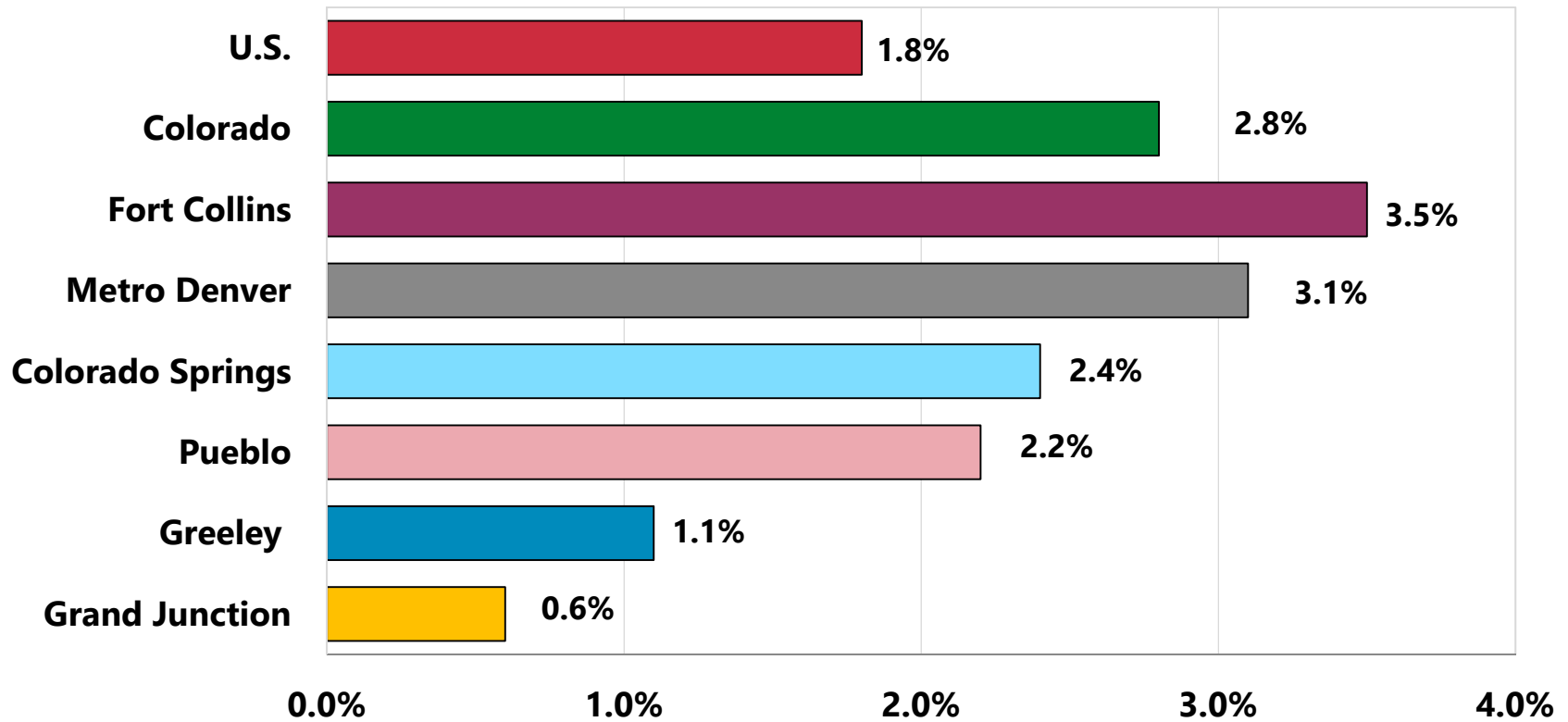
**Production
Levels**

**Equipment
Investment**

**Commercial Real
Estate**

Employment growth varies across the state

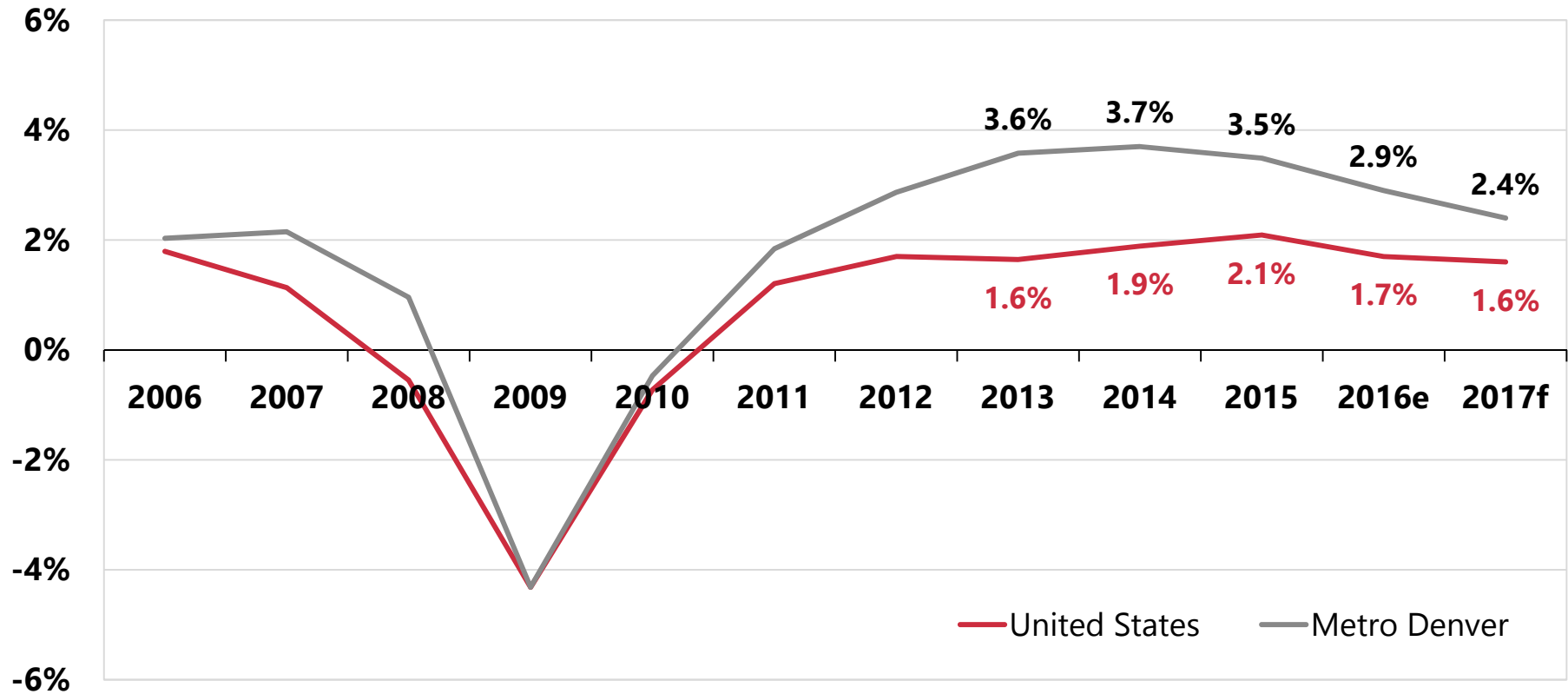
Nonfarm Job Growth Rates by Metro Area, through 3Q 2016



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

Nonfarm Job Growth Rates

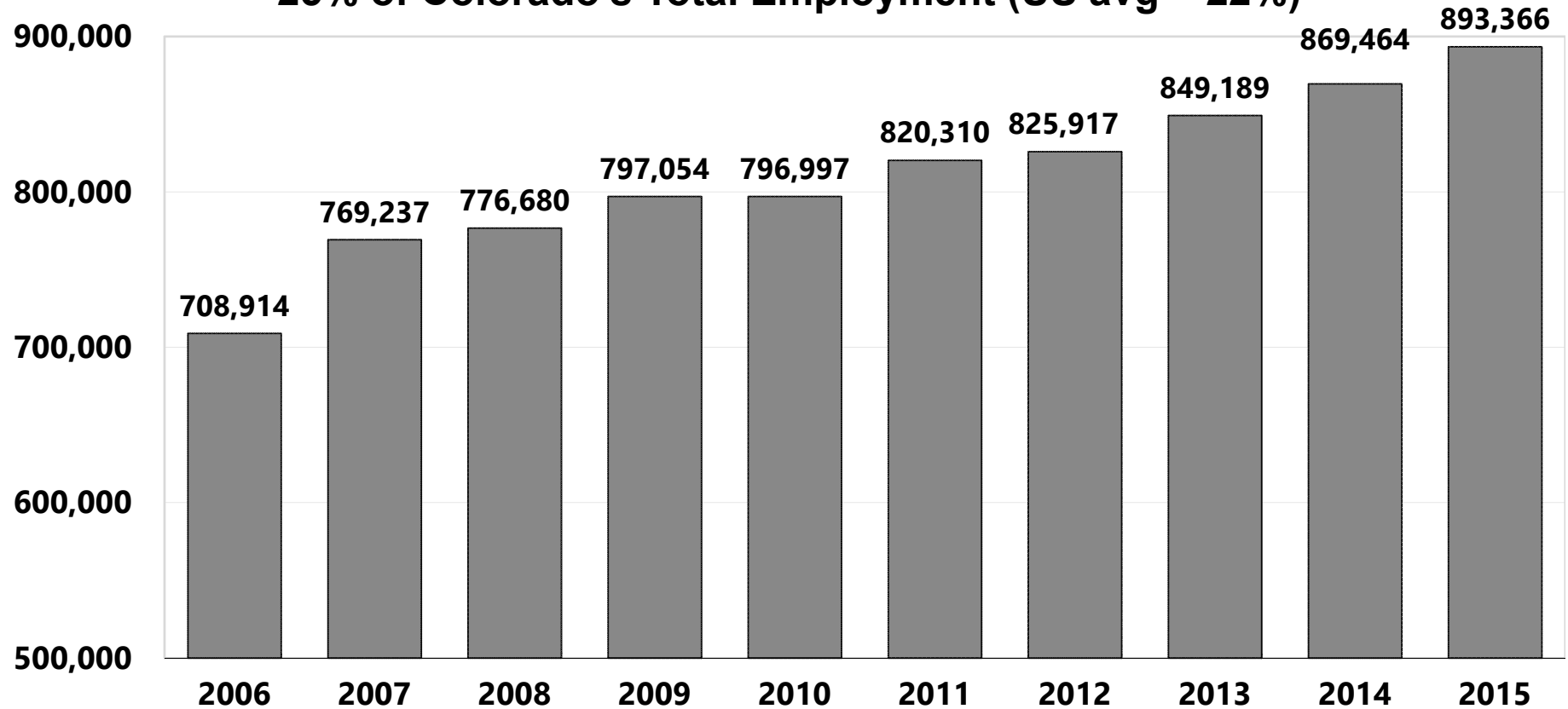
Metro Denver 2016 Employment = 1.6 million
2013-2015: 53K jobs added per year; 2016: 45K; 2017: 39K



Source: U.S. Bureau of Labor Statistics.
2016e = DRP estimate; 2017f = DRP forecast

Proprietors Are Another Significant Component Of Employment

Proprietors Employment
25% of Colorado's Total Employment (US avg = 22%)

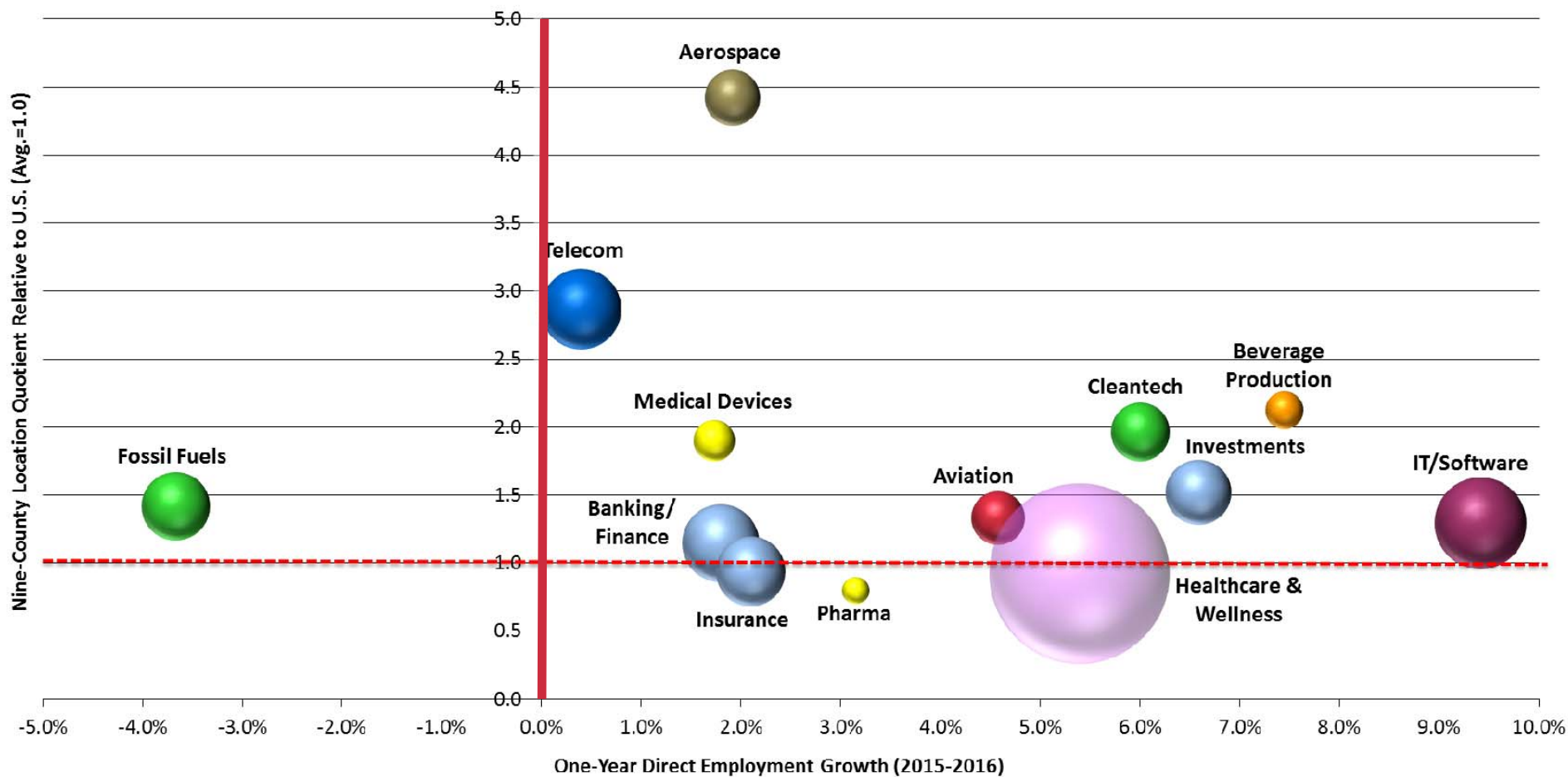


Source: U.S. Bureau of Economic Analysis.

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, 2015-2016



Source: Development Research Partners.

Metro Denver Commercial Real Estate

	Vacancy Rate (direct)		Lease Rate	
	4Q 2016	4Q 2015	4Q 2016	4Q 2015
Office	9.3%	9.6%	\$25.36	\$24.65
Industrial	3.8%	3.1%	\$7.41	\$7.03
Retail	4.5%	5.0%	\$16.55	\$16.00

Construction Activity (YTD through 4Q 2016)

- Office: 1.4 MSF completed; 5.9 MSF under construction
- Industrial: 4.5 MSF completed; 2.3 MSF under construction
- Retail: 1.3 MSF completed; 1.2 MSF under construction

Source: CoStar Group, Inc.

Maintaining Equilibrium....

Challenges

- Global economic uncertainty
- Rising interest rates
- Rising inflation rate
- Seeking clarity on taxes, healthcare
- Infrastructure needs > funding options
- Affordable housing

Opportunities

- More confident consumer
- Changes in who is buying what & where
- Strong job growth continues
- Active commercial real estate market
- Technology driving major changes

Questions?

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