

# The Genesis Perspective

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# What's Up in Denver Housing

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Third Quarter 2011 Housing Briefing  
Tuesday, November 15, 2011  
District 475



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# Agenda

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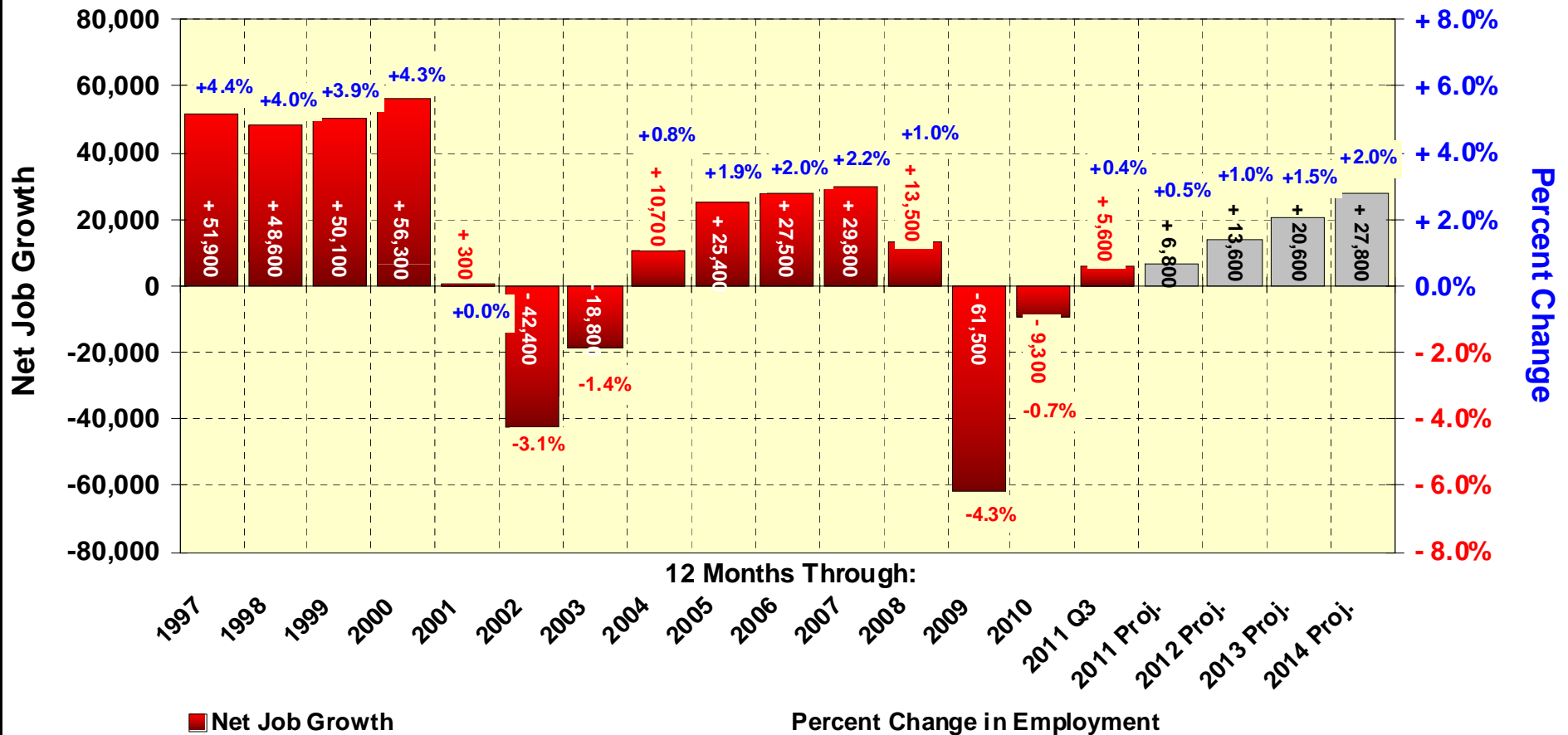
- ❖ *Metro Denver Economic News*
  - ❖ *Housing Activity*
  - ❖ *Outlook and Forecast*
    - ❖ *What's Ahead*



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# Improving News – Employment

## Denver Metropolitan Area Job Growth History & Forecast - 12 Month Averages



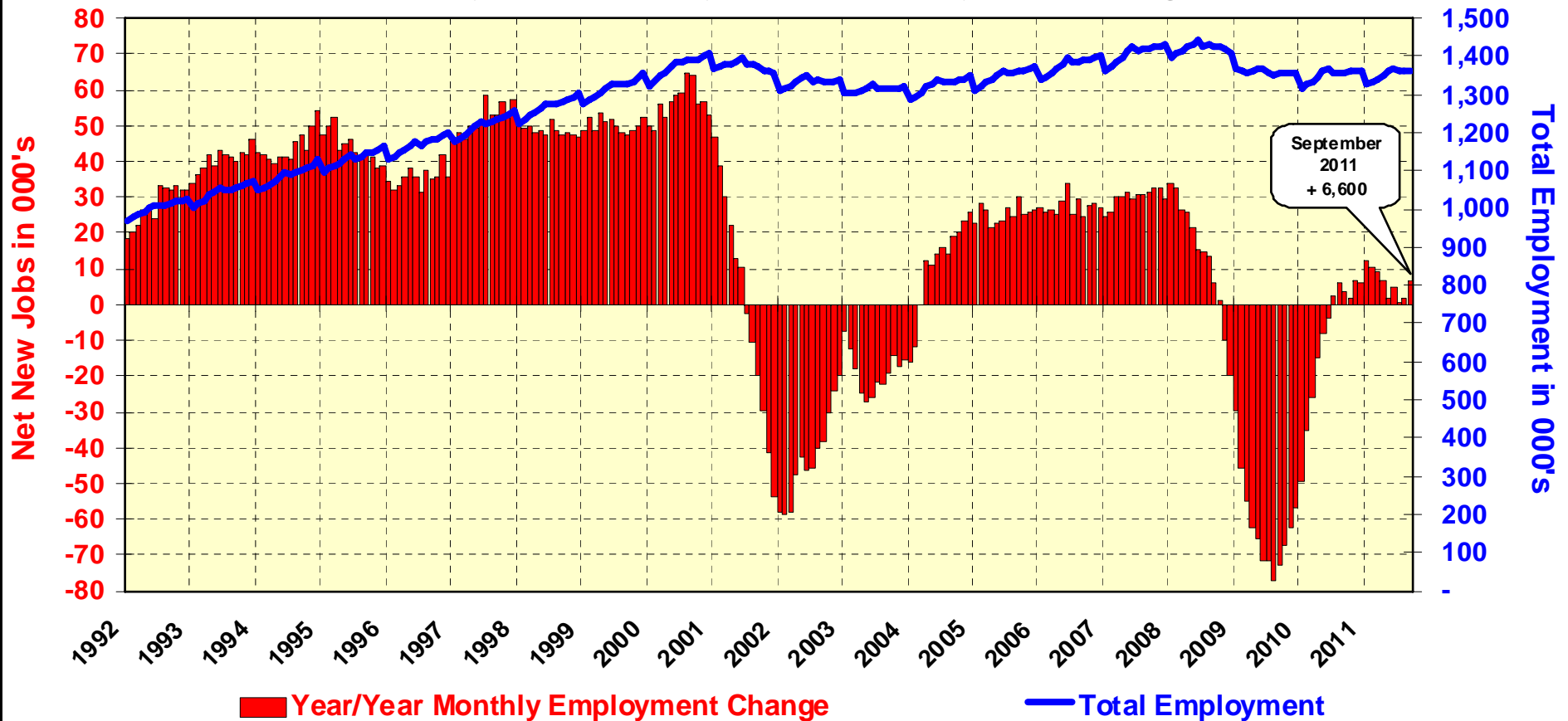
## Modest Improvement in 2011



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# Job Growth by Month

**Denver Metropolitan Area Wage & Salary Employment  
Monthly Total Employment & Employment Change**



Source: Bureau of Labor Statistics

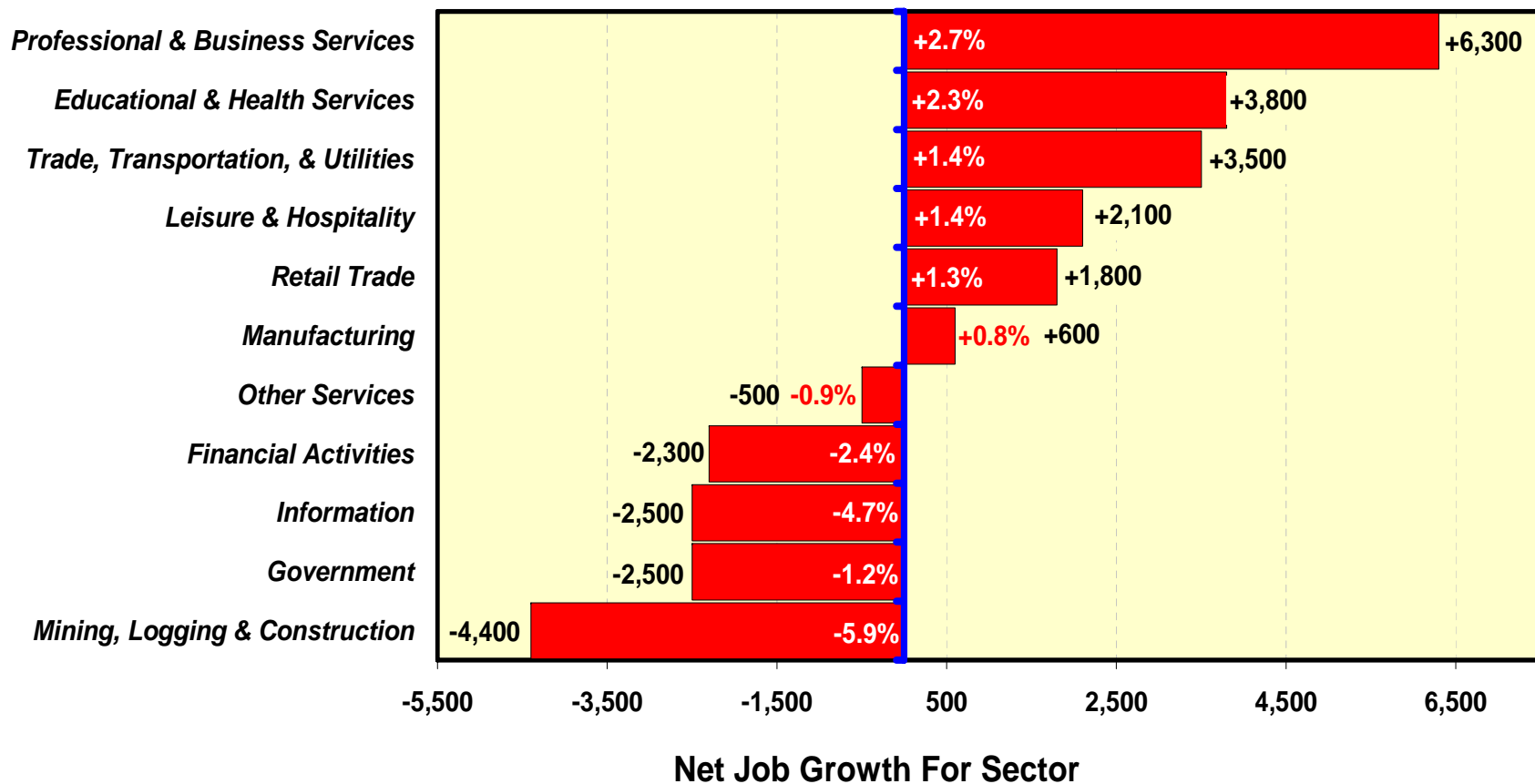
***Nearing the End of the Losses!***



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# Job Growth by Sector

*Metro Denver Area - 2010 versus 2011  
Second Quarter Average Employment by Sector Comparisons  
Net Job Growth and Percentage Change*

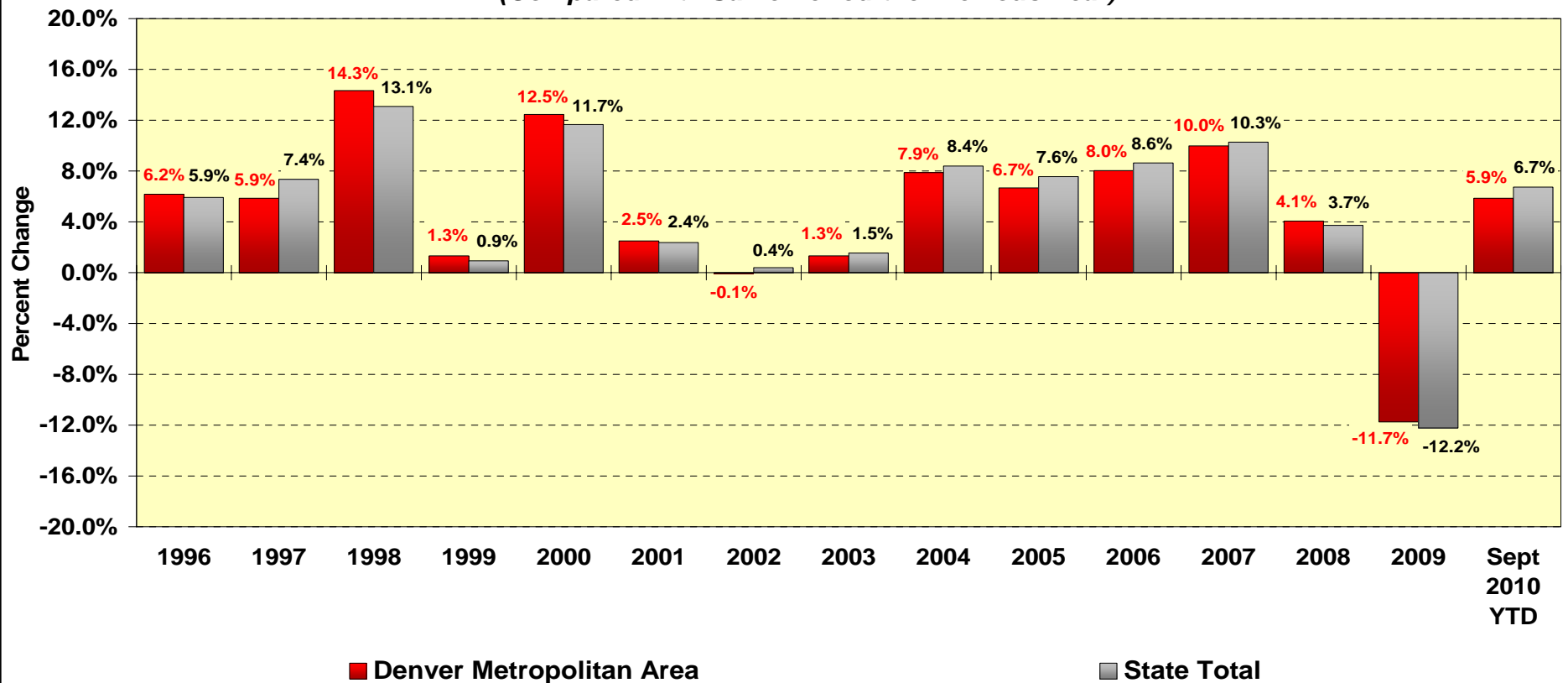




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# Retail Sales

*Denver Metropolitan Area & State of Colorado  
Percent Change in Retail Sales  
(Compared with Same Period the Previous Year)*



Source: Colorado Department of Revenue

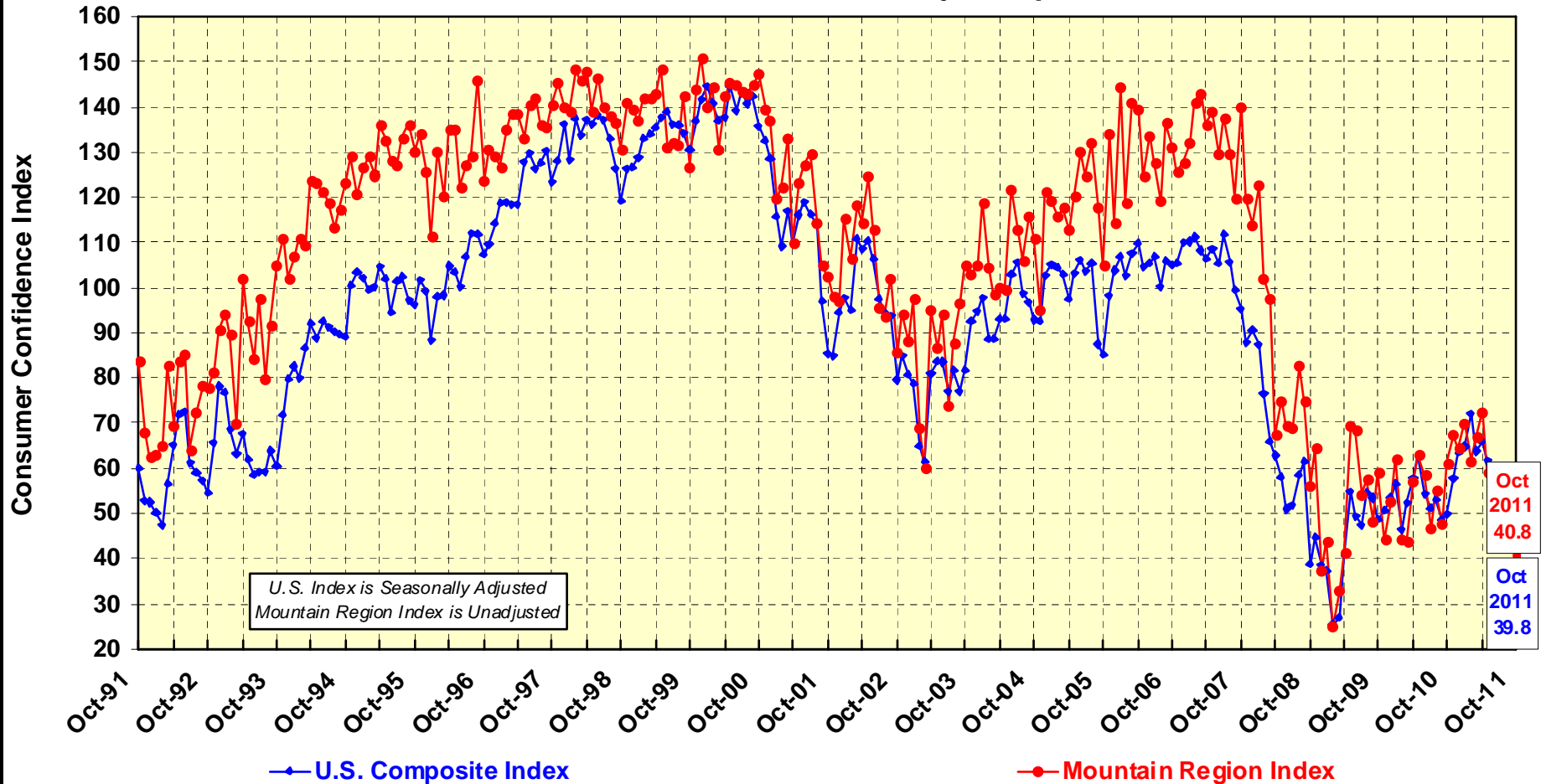
**Unprecedented declines in 2009, Climbing Back in 2010**



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# Consumer Confidence

Consumer Confidence Index - Monthly Comparison



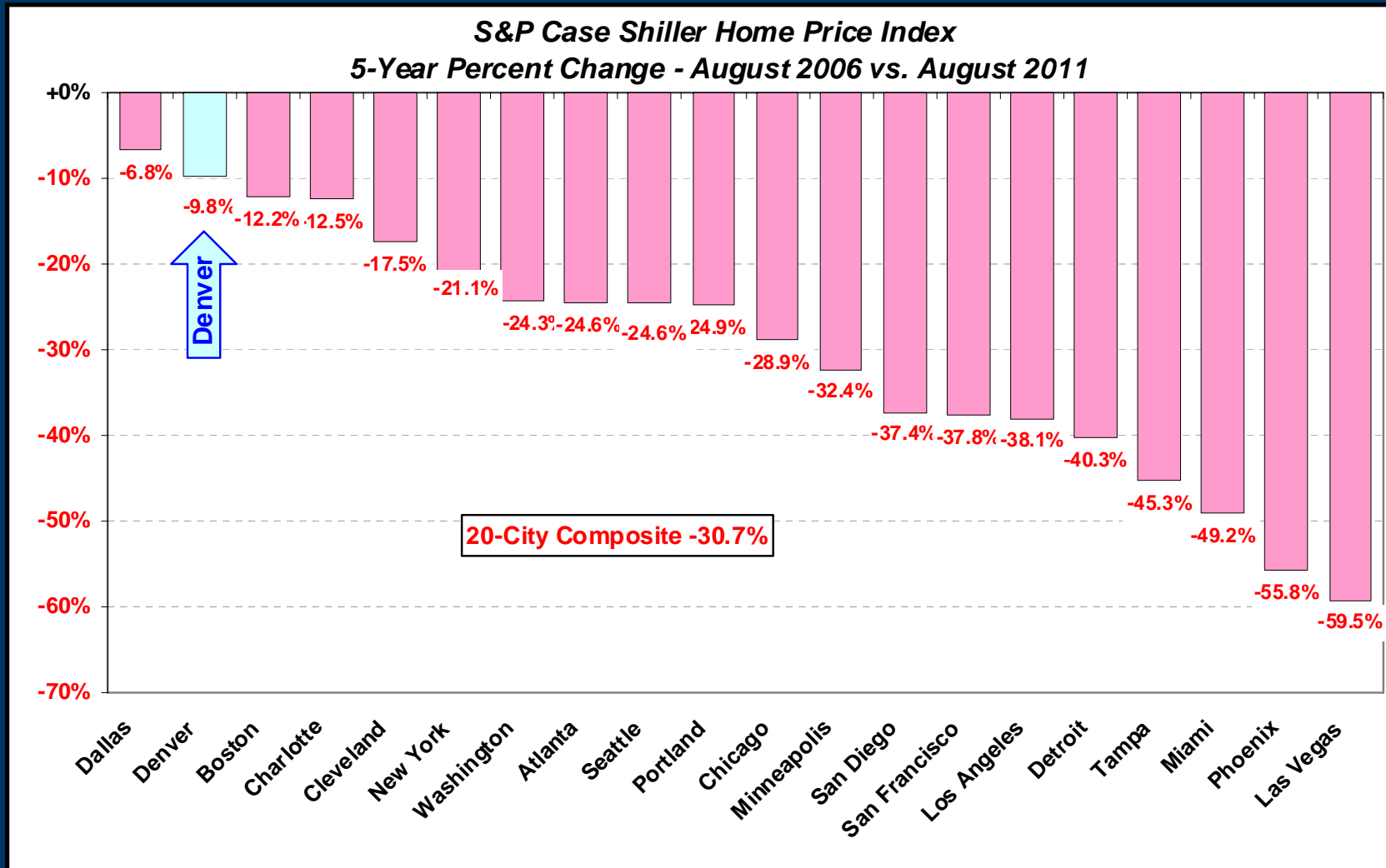
Source: The Conference Board

*Up from the depths of despair in early 2009  
...but still at historically low levels*



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# 5-Year Home Price Declines



**It Could Have Been Worse!**

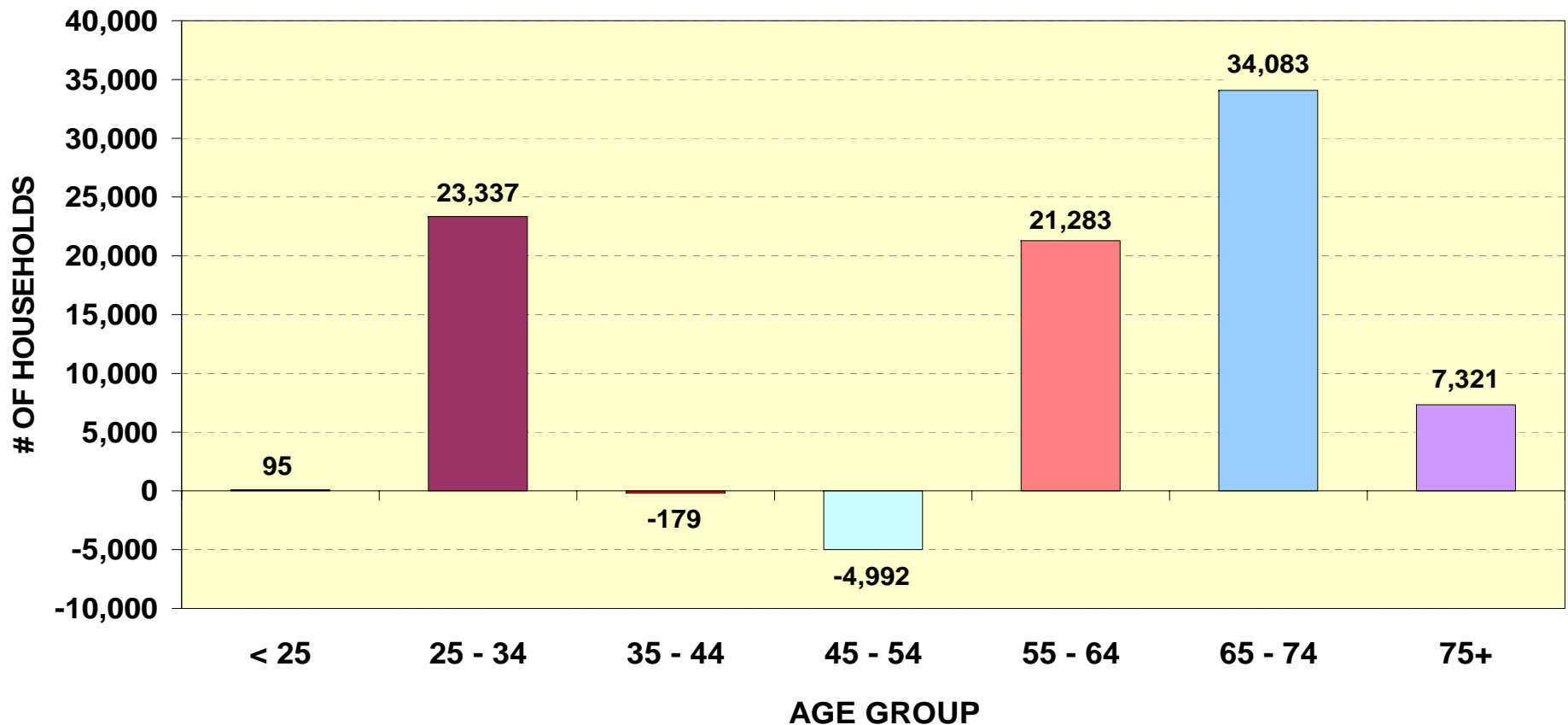
Source: S&P/Case Shiller



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# Future Growth

**Seven County Metro Denver  
Projected 2010 - 2015 Household Change By Age Groups**



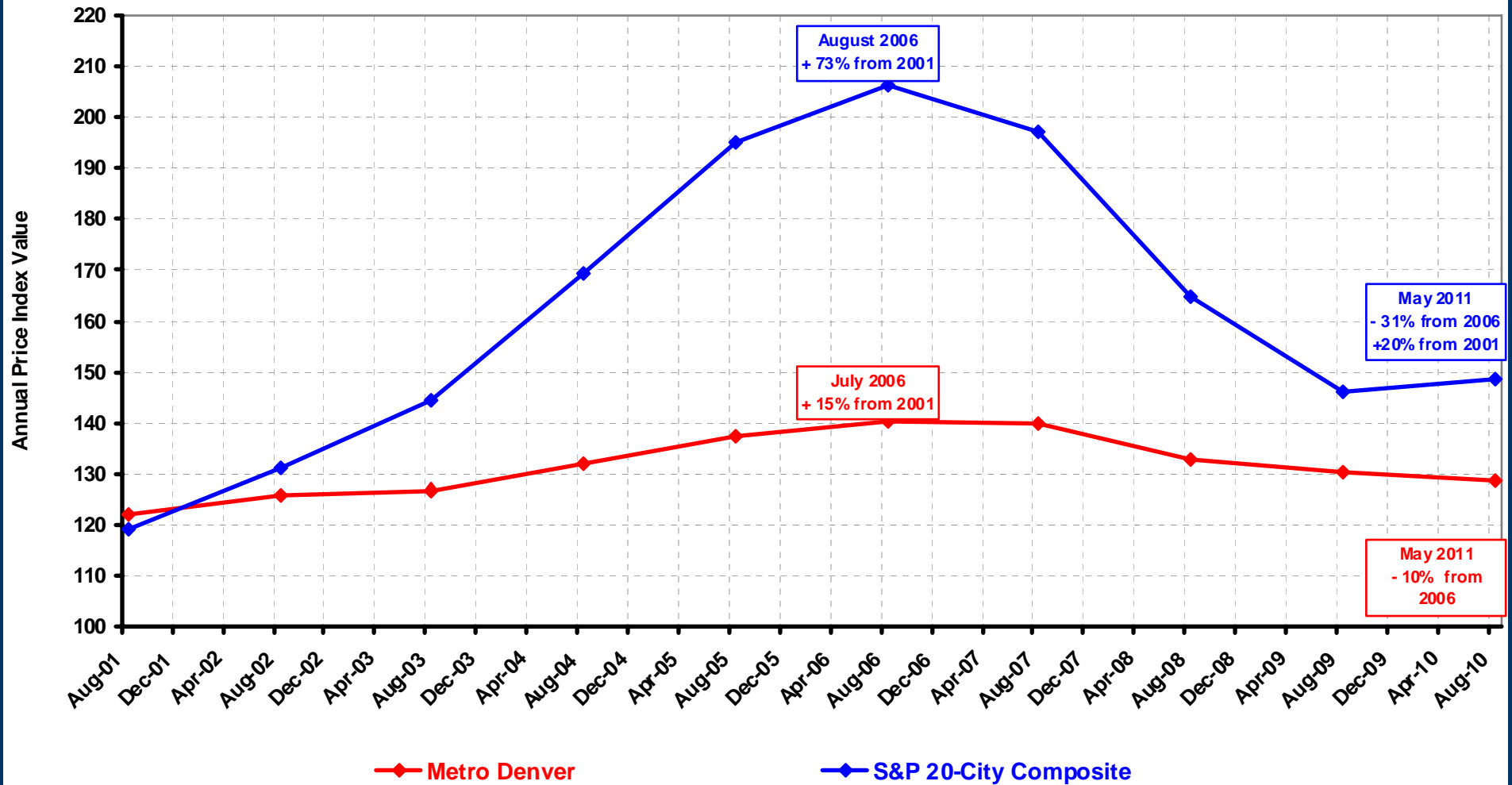
Source: ESRI



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# Denver Housing Recession

Home Price Index Comparisons



Source: S&P/Case Shiller



# Analyzing Our Distressed Market

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**Foreclosures down 30%**

**Working through distress:**

**MLS distressed closings up 29%**

**REO sales up 13%**

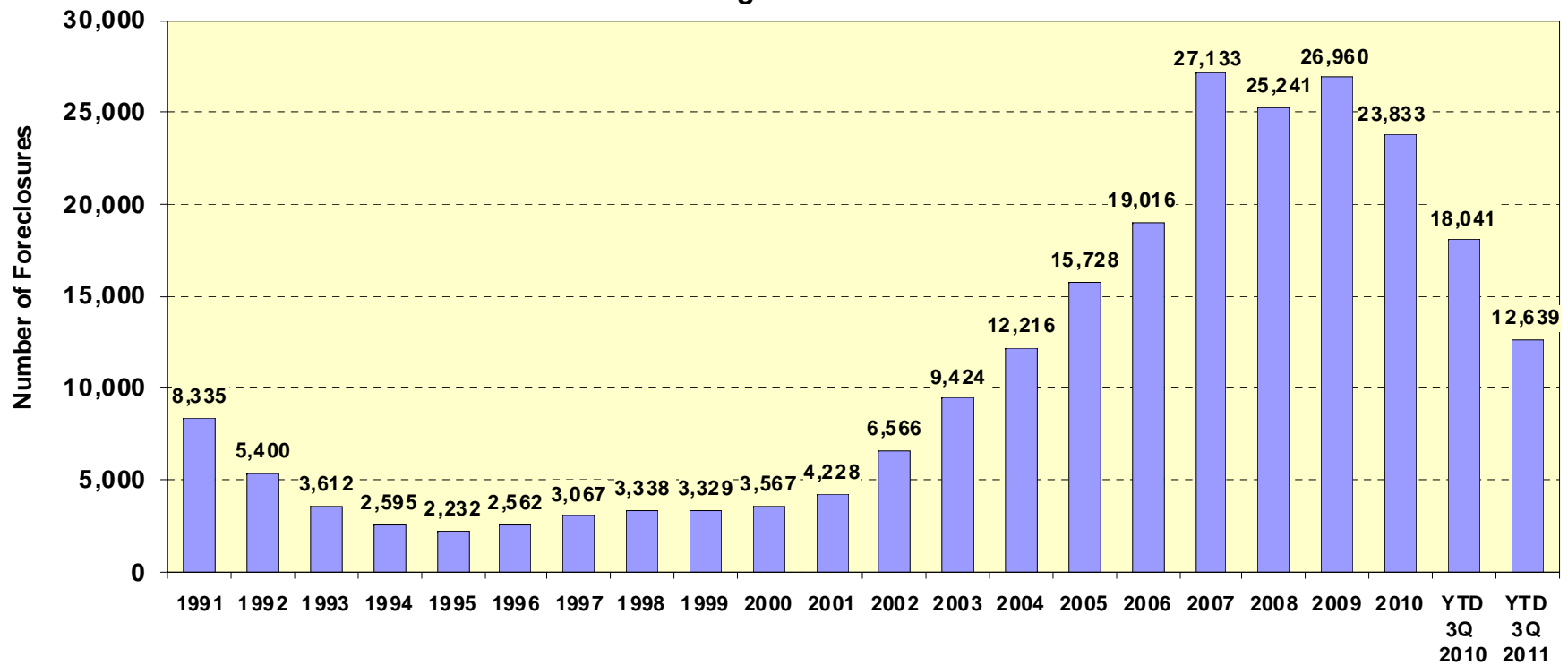
**Short sales up 131%**



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# Improving News

**Seven County Metro Denver  
Total Foreclosure Activity  
1991 Through First Half 2011**



Source: Public Records via SKLD

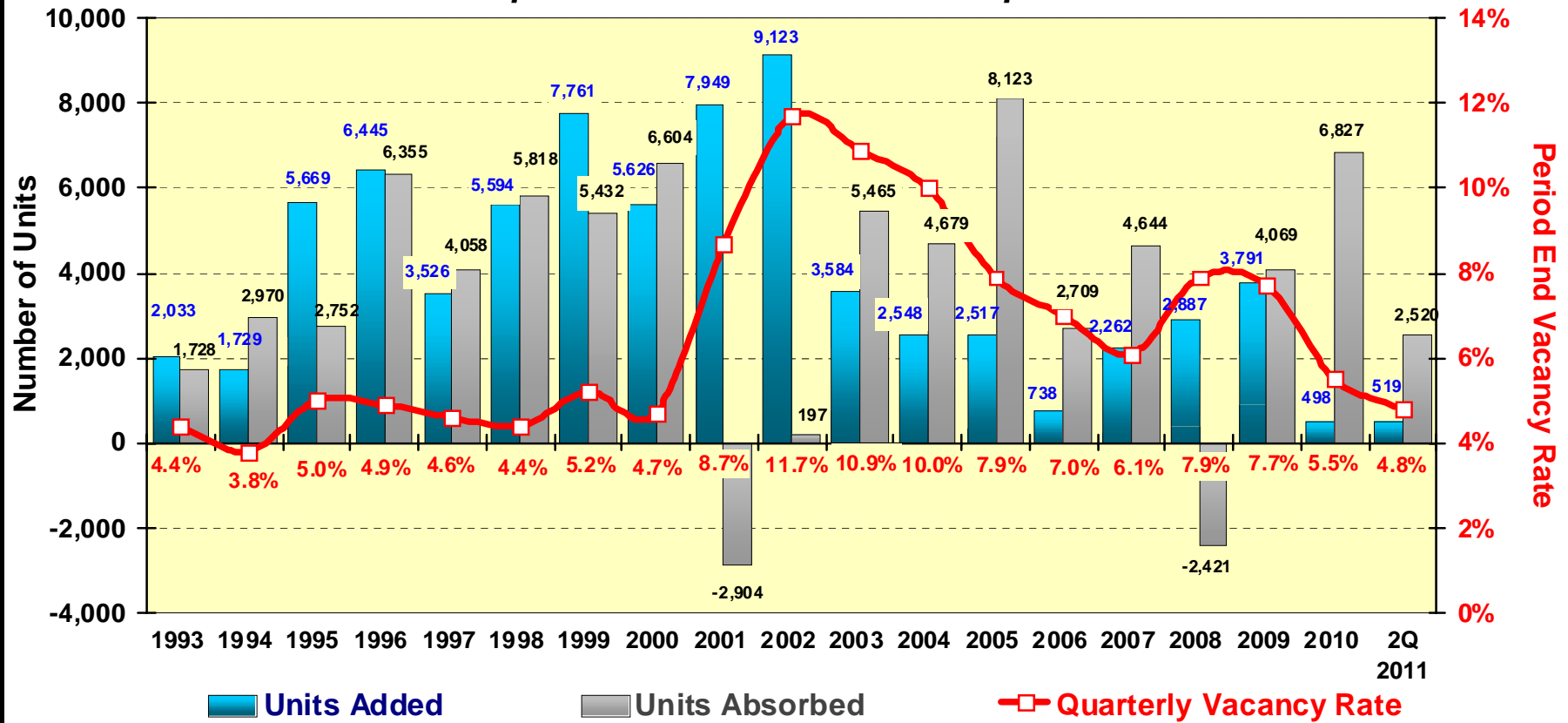
**Foreclosures increased 6.8% in 2009,  
DOWN 30% for 2011!**



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# Good News for the Rental Market

### Metropolitan Denver Area Apartment Construction/Absorption



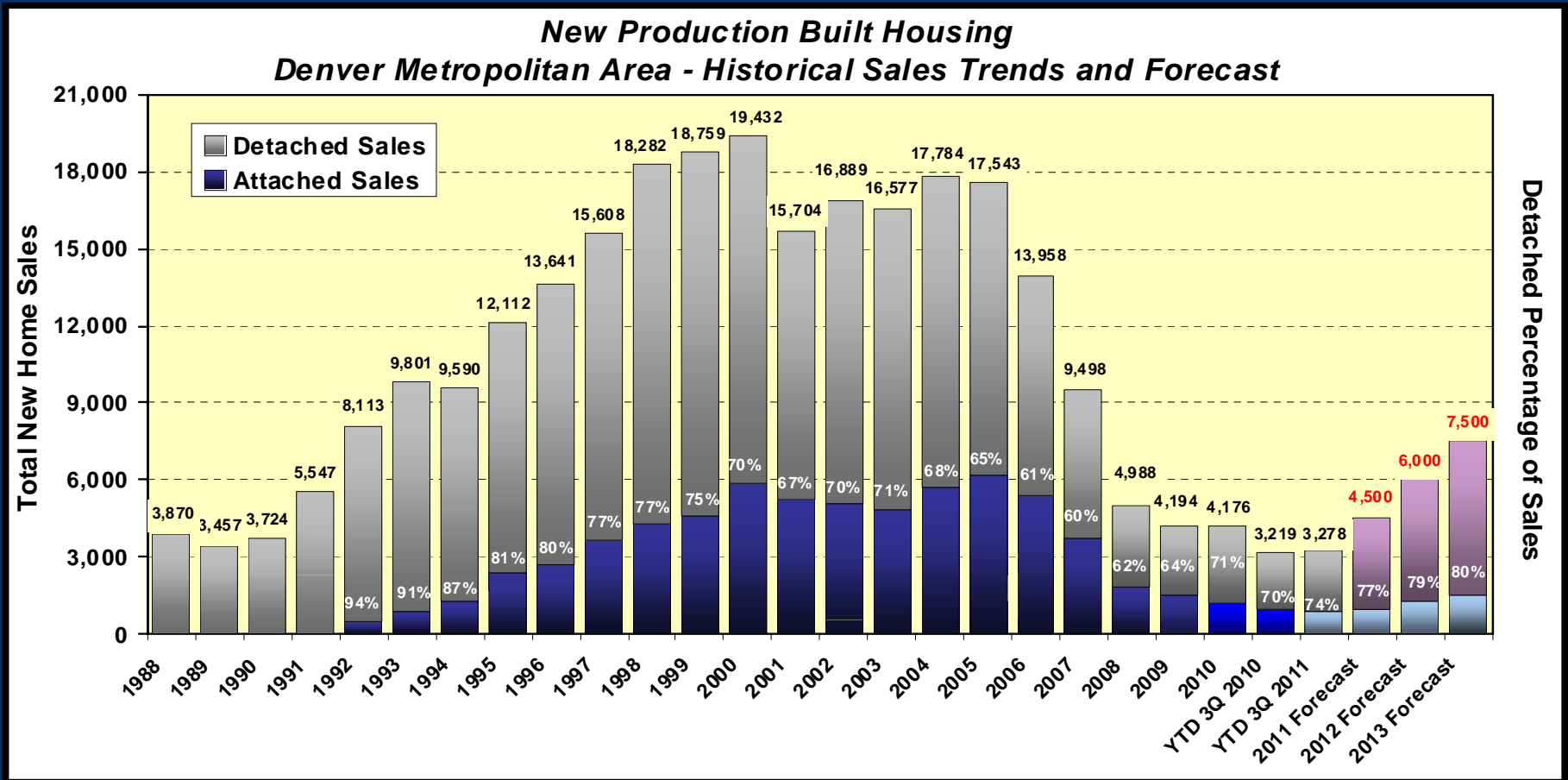
Source: Apartment Association of Metropolitan Denver

**Very strong absorption, vacancy rates low, huge shadow rental market is SFD rentals**



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# New Housing—Annual Home Sales



Source: Hanley Wood Market Intelligence

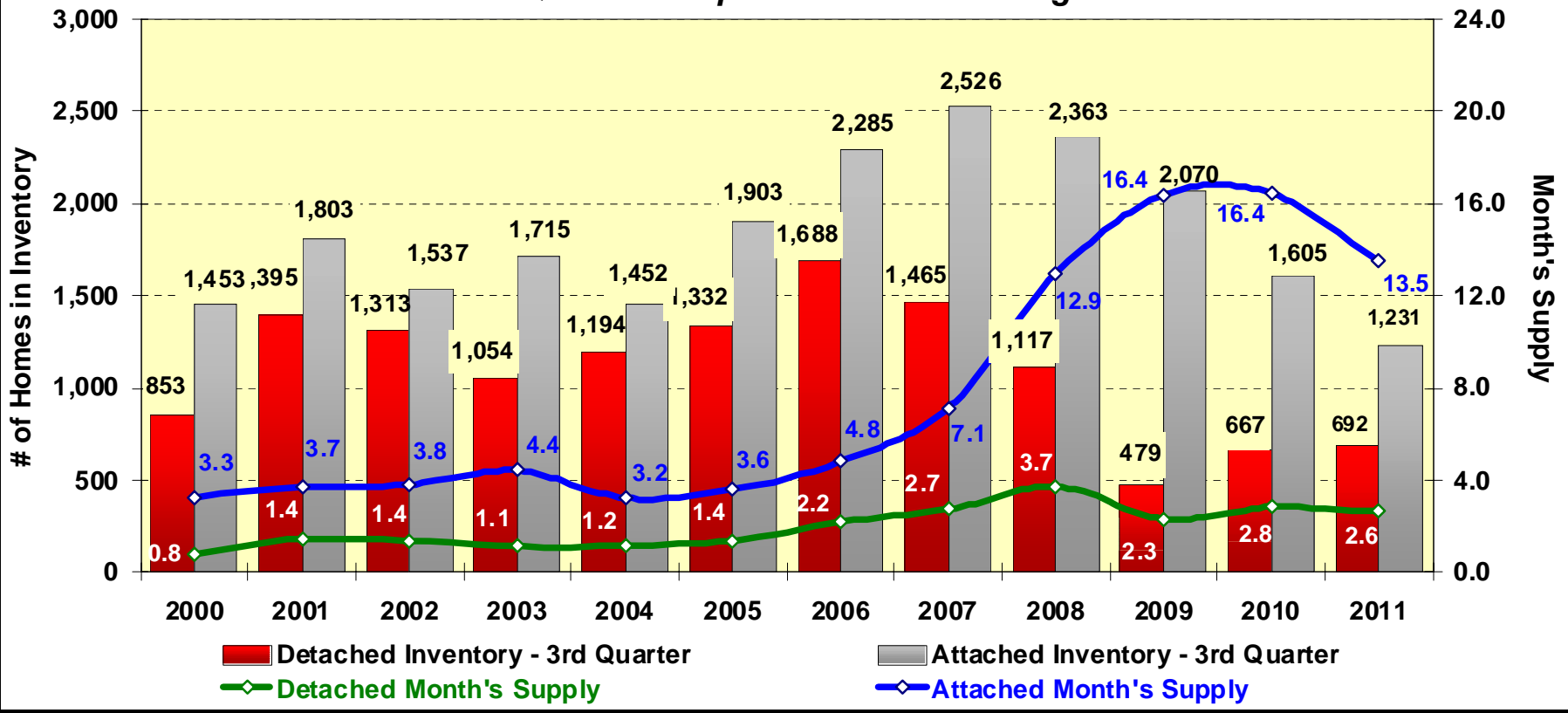
**New Homes Sales up 2% as of 3Q11**  
**Single Family Detached +11%, Single Family Attached -21%**



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# Historical New Home Inventory

**New Production Built Housing**  
**Metropolitan Denver Area - Historical Inventory and Month's Supply Trends**  
**Third Quarter Comparisons - 2000 Through 2011**



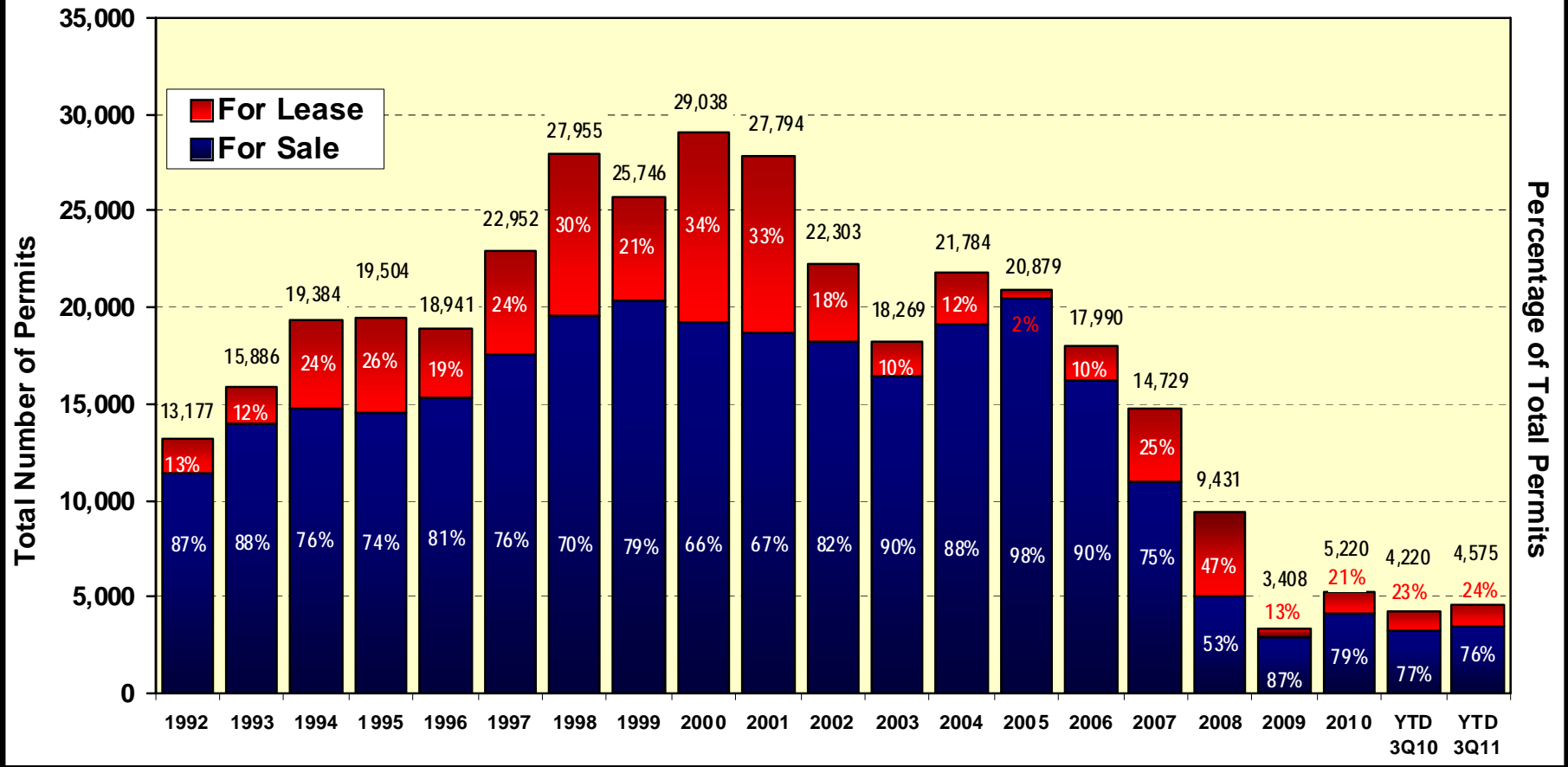
**Detached Inventory Up 3.7%**  
**Attached Inventory Down 23.3%**



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# Improving News – Permits

### Total Housing Permits - Denver Metropolitan Area



Source: Home Builders Association of Metro Denver

## YTD 3Q11

For-Sale Permits Up 8%, Single Family Attached +45%



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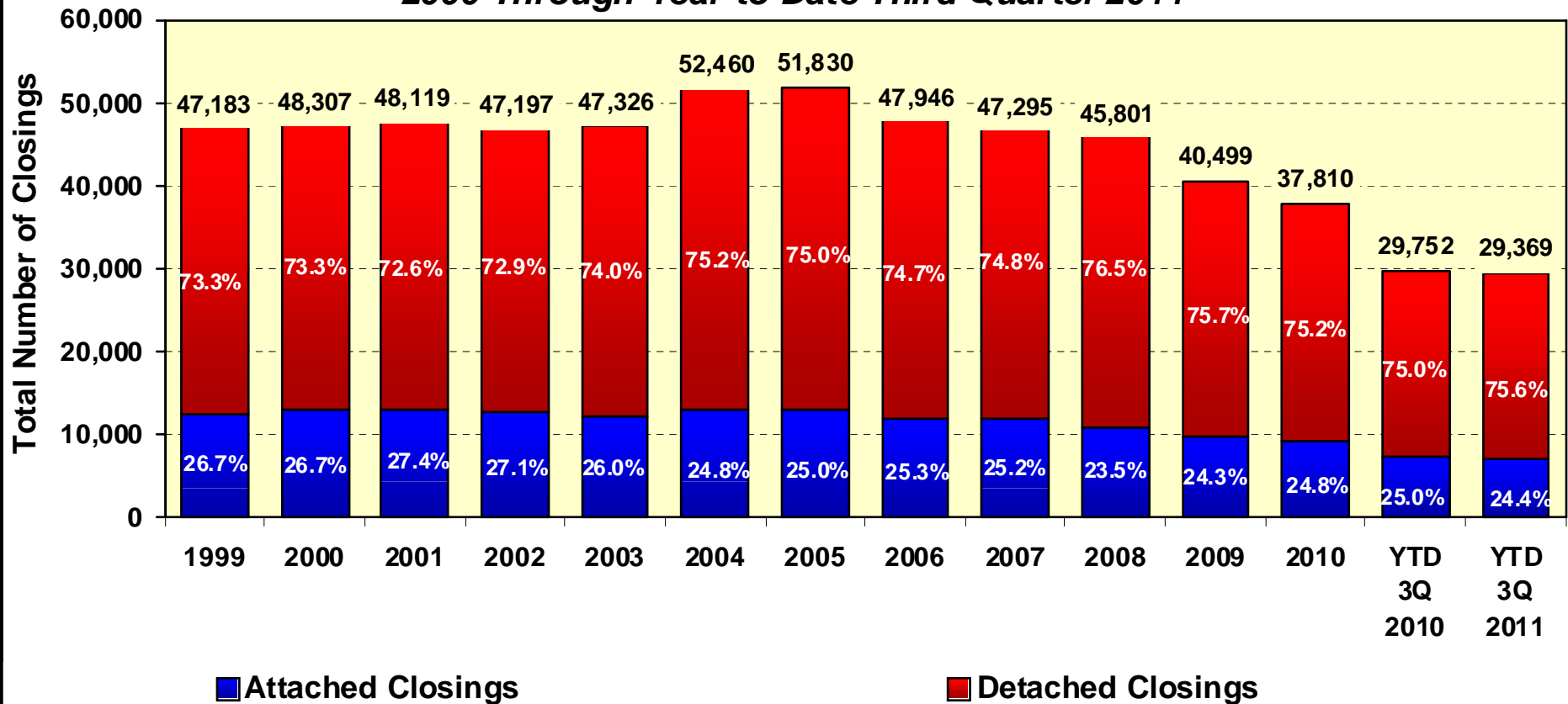
# Existing Home Markets



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# Historical Resale Market Performance

## Metropolitan Denver Area Historical Closing Trends of Existing Homes 2000 Through Year-to-Date Third Quarter 2011



**Total closings Activity just slightly down from 2010  
Down 44% since peak in 2004**

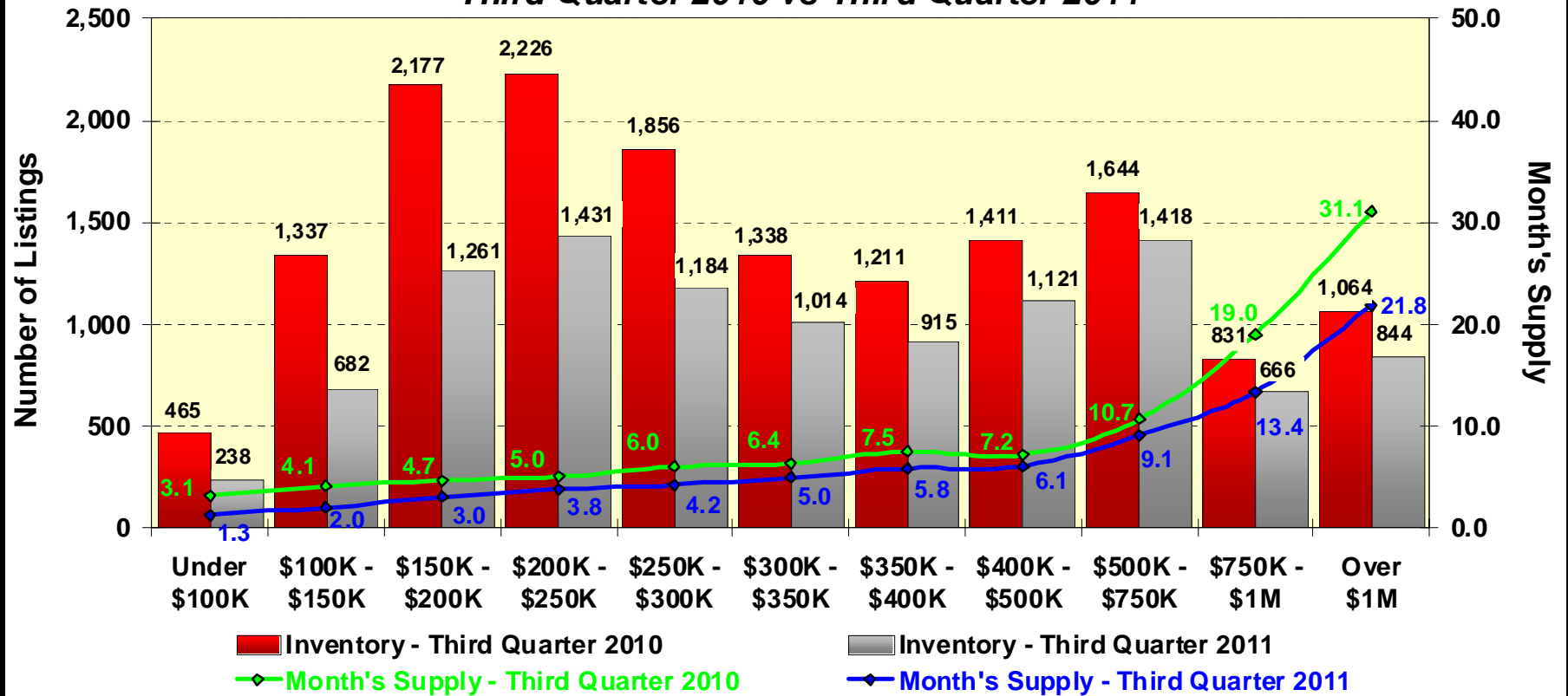
Sources: Metrolist, IRES, PPAR



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# Resale SFD - Inventory & Month's Supply

### Metropolitan Denver Area Existing Detached Inventory Homes and Month's Supply Third Quarter 2010 vs Third Quarter 2011



Sources: MetroList, IRES, PPAK

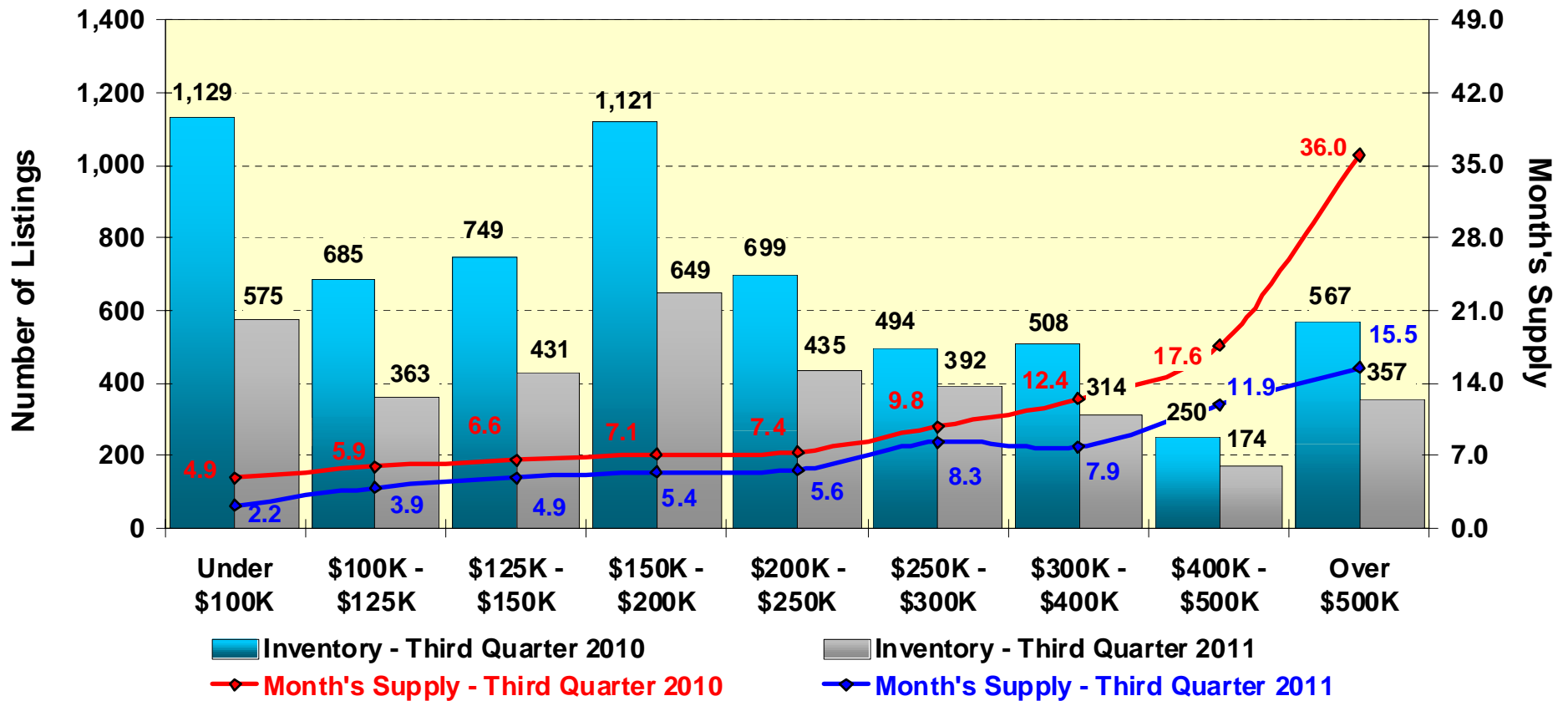
**Compare Today's 4.9 Month Supply Level of Detached Homes With 4.0 Months in 2009 and 2.0 to 2.5 Month's Supply in 2001**



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# Resale SFA – Inventory & Month's Supply

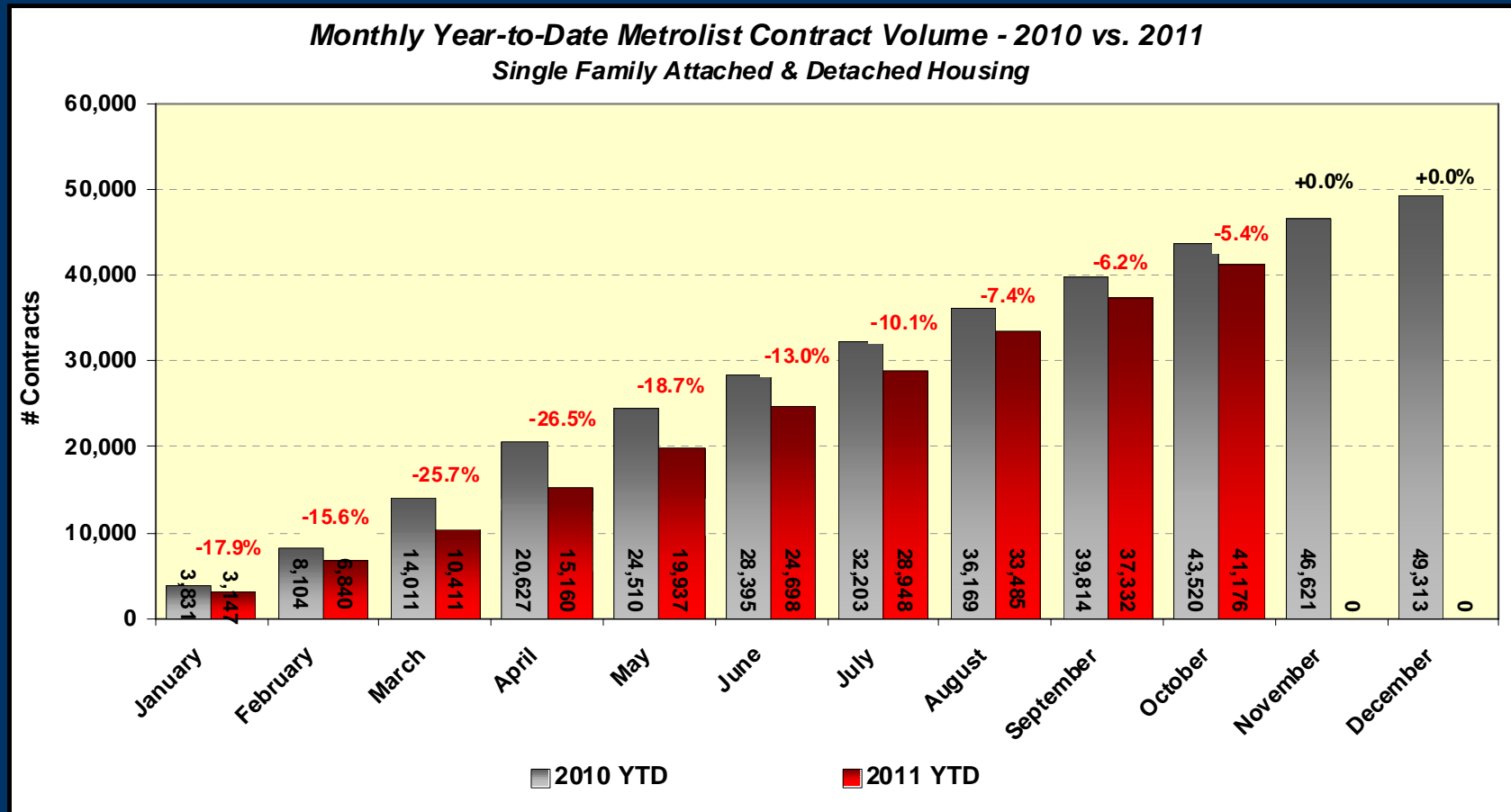
### Metropolitan Denver Area Existing Attached Inventory Homes and Month's Supply Third Quarter 2010 vs Third Quarter 2011





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# Leading Indicator...



**Contract Activity – Leading Indicator**  
**Tax Credits “Borrowed from Future”**

Source: Metrolist

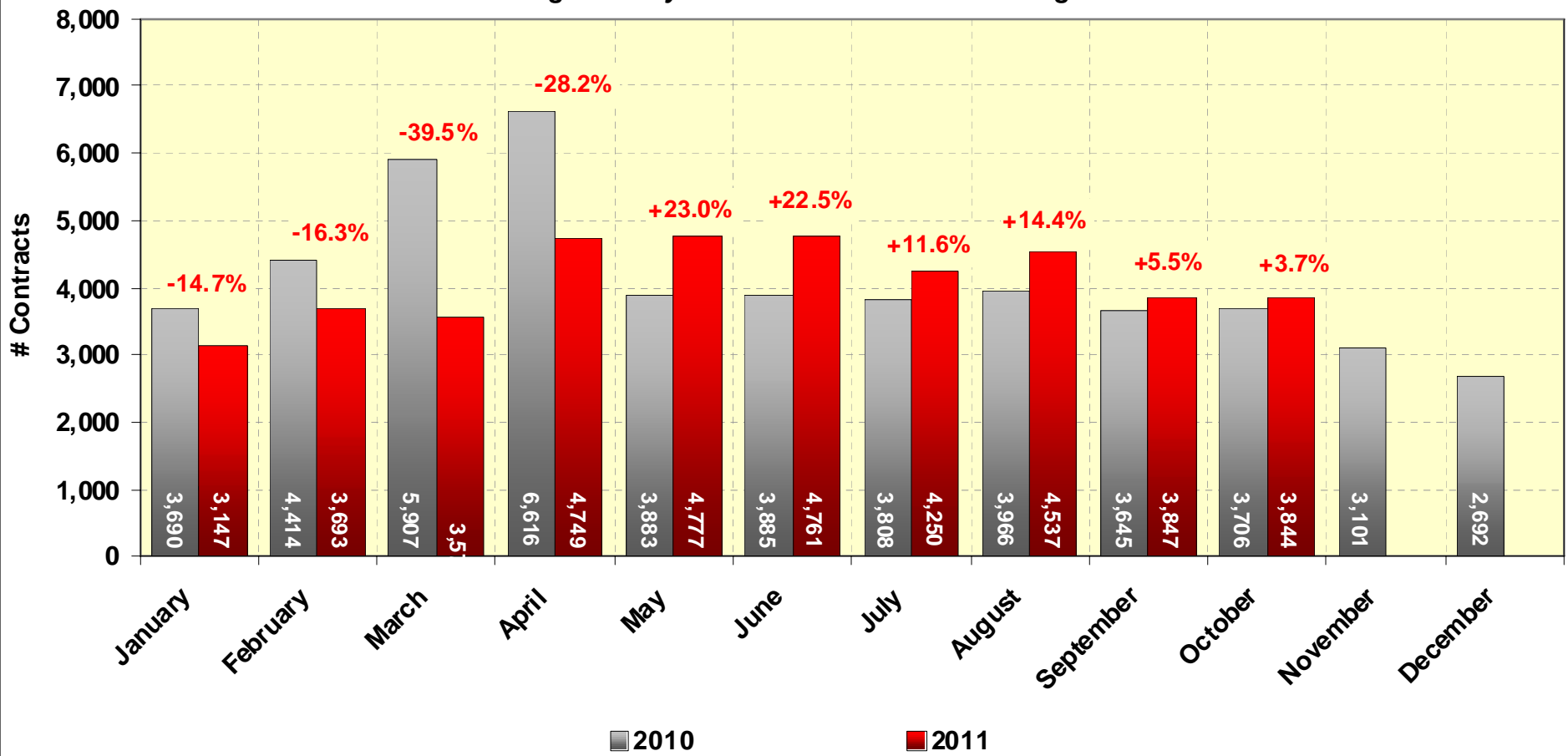


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# Even more telling...

**Month-End Metrolist Contract Volume - 2010 vs. 2011**  
**Single Family Attached & Detached Housing**



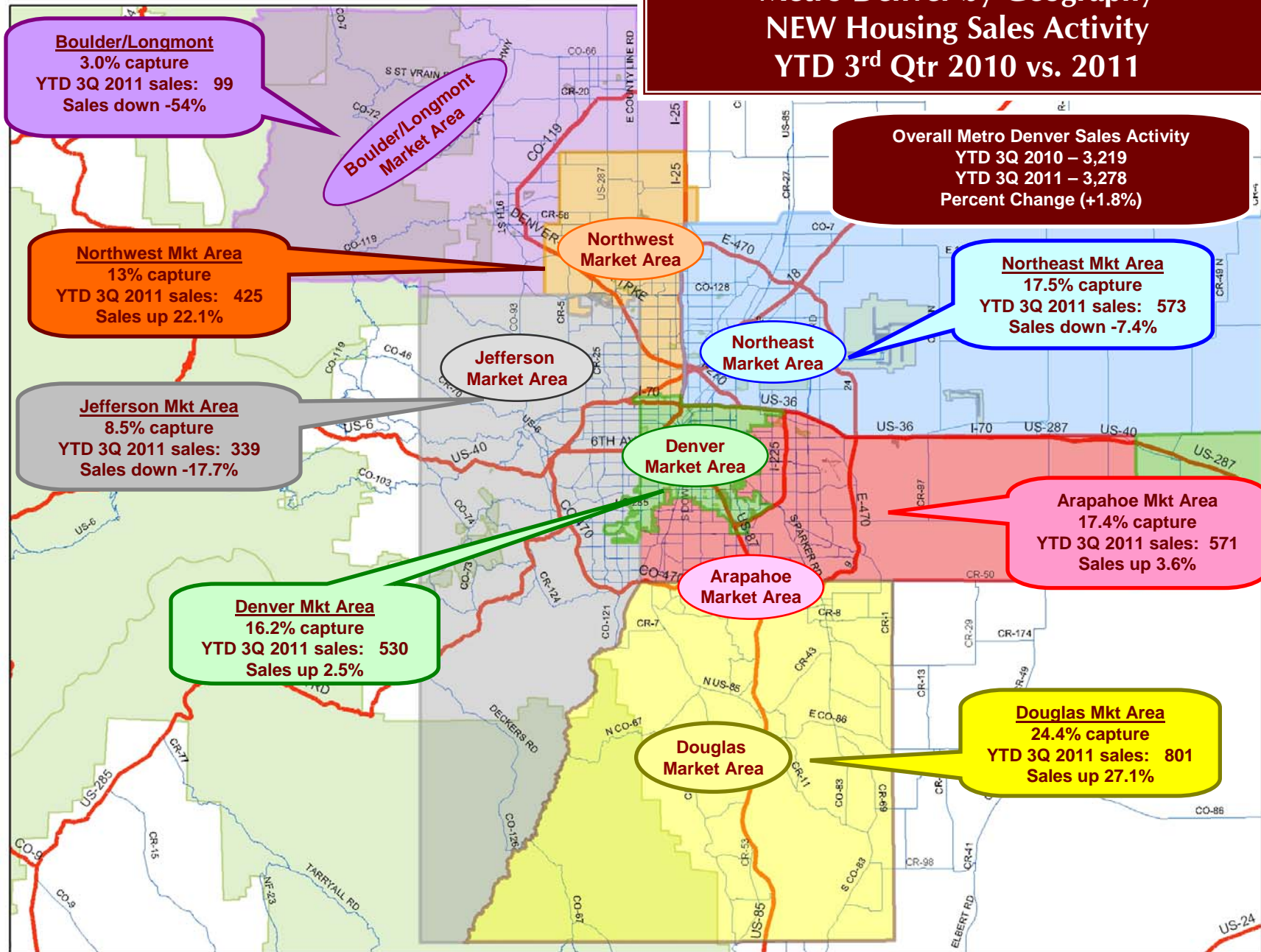


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# Geographic Trends

# Metro Denver by Geography NEW Housing Sales Activity YTD 3<sup>rd</sup> Qtr 2010 vs. 2011



# Metro Denver by Geography RESALE Sales Activity YTD 3<sup>rd</sup> Qtr 2010 vs. 2011

**Overall Metro Denver Sales Activity**  
 YTD 3Q 2010 – 29,752  
 YTD 3Q 2011 – 29,369  
 Percent Change (-1.3%)

**Boulder/Longmont**  
 7.4% capture  
 YTD 3Q 2011 sales: 2,172  
 Sales down -2.9%

**Boulder/Longmont  
Market Area**

**Northwest Mkt Area**  
 9.1% capture  
 YTD 3Q 2011 sales: 2,675  
 Sales down -6.0%

**Northwest  
Market Area**

**Northeast Mkt Area**  
 11.4% capture  
 YTD 3Q 2011 sales: 3,350  
 Sales down -6.0%

**Northeast  
Market Area**

**Jefferson Mkt Area**  
 17.2% capture  
 YTD 3Q 2011 sales: 5,059  
 Sales down -1.9%

**Jefferson  
Market Area**

**Arapahoe Mkt Area**  
 21.5% capture  
 YTD 3Q 2011 sales: 6,309  
 Sales down -2.7%

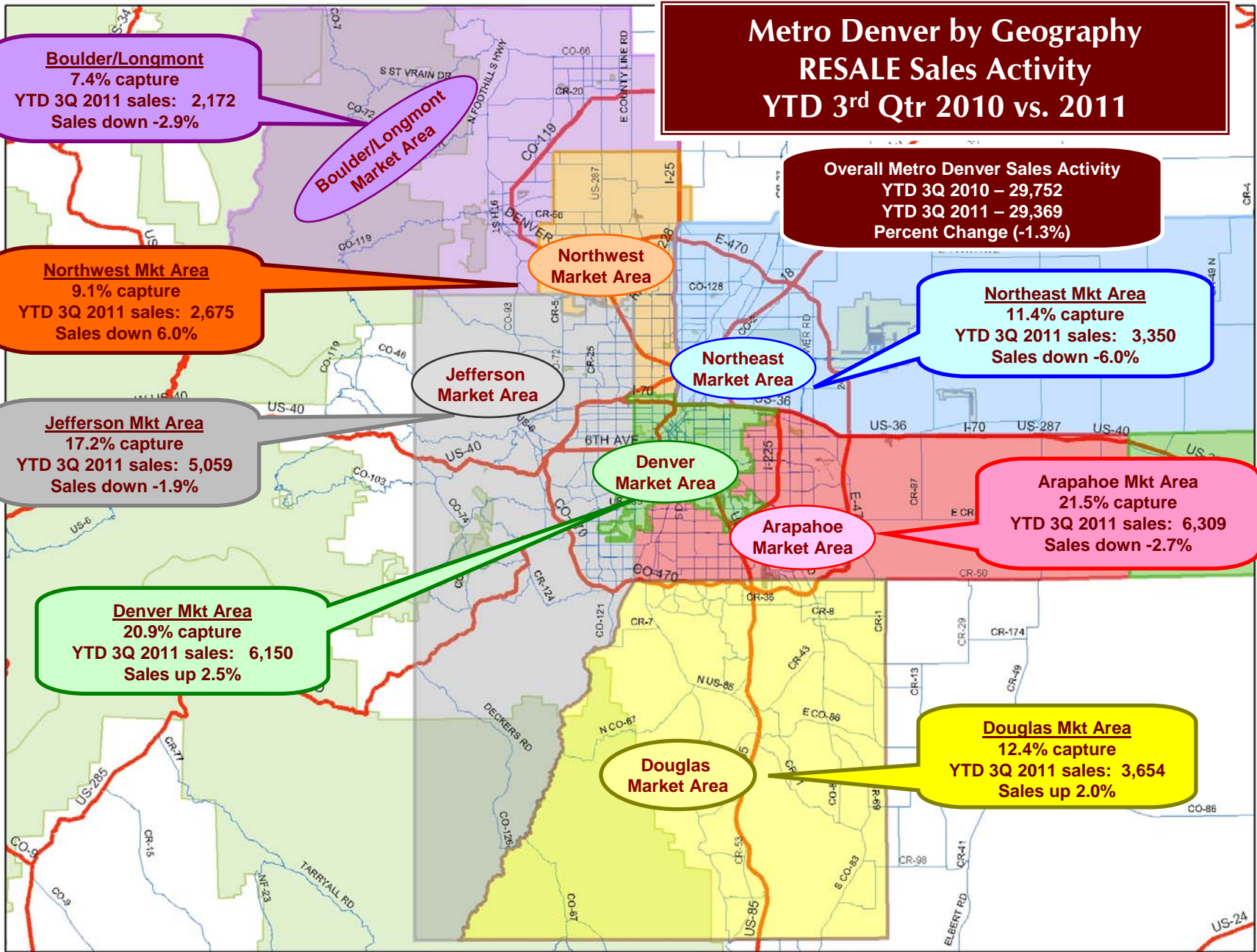
**Arapahoe  
Market Area**

**Denver Mkt Area**  
 20.9% capture  
 YTD 3Q 2011 sales: 6,150  
 Sales up 2.5%

**Denver  
Market Area**

**Douglas Mkt Area**  
 12.4% capture  
 YTD 3Q 2011 sales: 3,654  
 Sales up 2.0%

**Douglas  
Market Area**





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# Top 10

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1. RAH – 465 Sales (14.2%)
2. DR Horton - 240 Sales (7.3%)
3. Meritage – 216 Sales (6.6%)
4. KB Home – 198 Sales (6.0%)
5. Century – 196 Sales (6.0%)
6. Lennar – 183 Sales (5.6%)
7. Shea – 170 Sales (5.2%)
8. Oakwood – 166 Sales (5.1%)
9. Nichols Partnership – 132 Sales (4.0%)
10. Taylor Morrison – 93 Sales (2.8%)



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## We Still Face Strong Headwinds

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- **Future lessening in overall demand...20% of the existing housing stock out of the market**
- **Zero Net Job Growth Over Past 10 Years**
- **Strict Mortgage Underwriting, Higher Down Payments = Fewer Buyers Qualify**
- **The next shoe...Global market – the “trickle-down”**
- **Builders “catching on” to new market strategies.**



## Bottom Line...

- **Foreclosure Volume Declining**
- **Rental Vacancy Rates Low & Falling, Rents Increasing**
- **SFD Home Sales Increasing, with no government intervention**
- **In-Migration Continues**
- **Slow, but improving Employment**
- **High, but improving Unemployment**



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# What does Opportunity Look Like In 2012

## ■ Look **outside** the box

- New Geography
  - Erie, Broomfield, Jeffco, Westminster, Thornton, DC
- New Demographics
  - How consumers shop, purchase, listen
  - Multigenerational product lines and communities
- Higher Price Ranges
- New Product
  - Conversion SFD (Rental to Ownership)
  - OUR SPEAKERS TODAY