



Builder Realty Council Denver Market

Housing Update



1/19/2021

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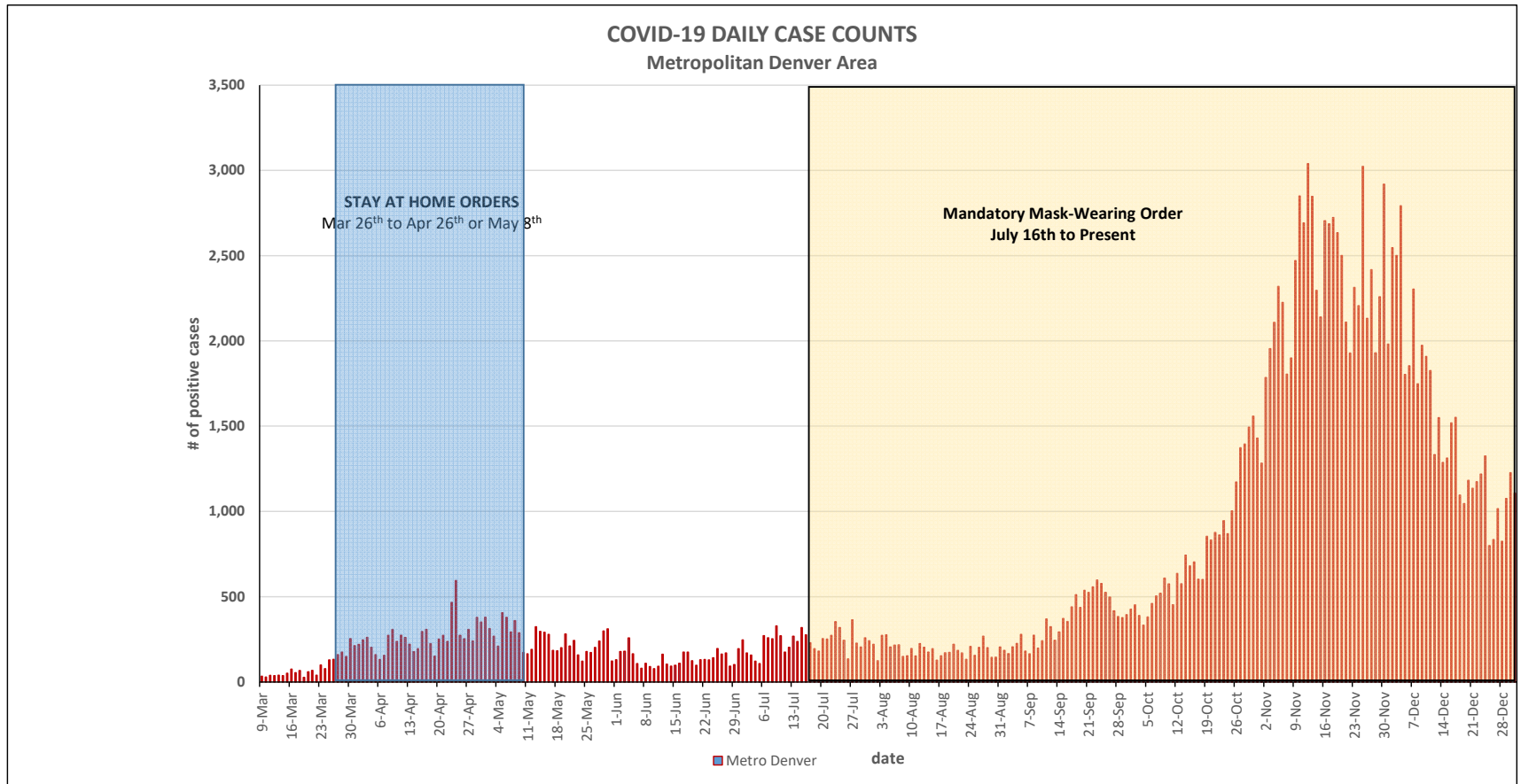


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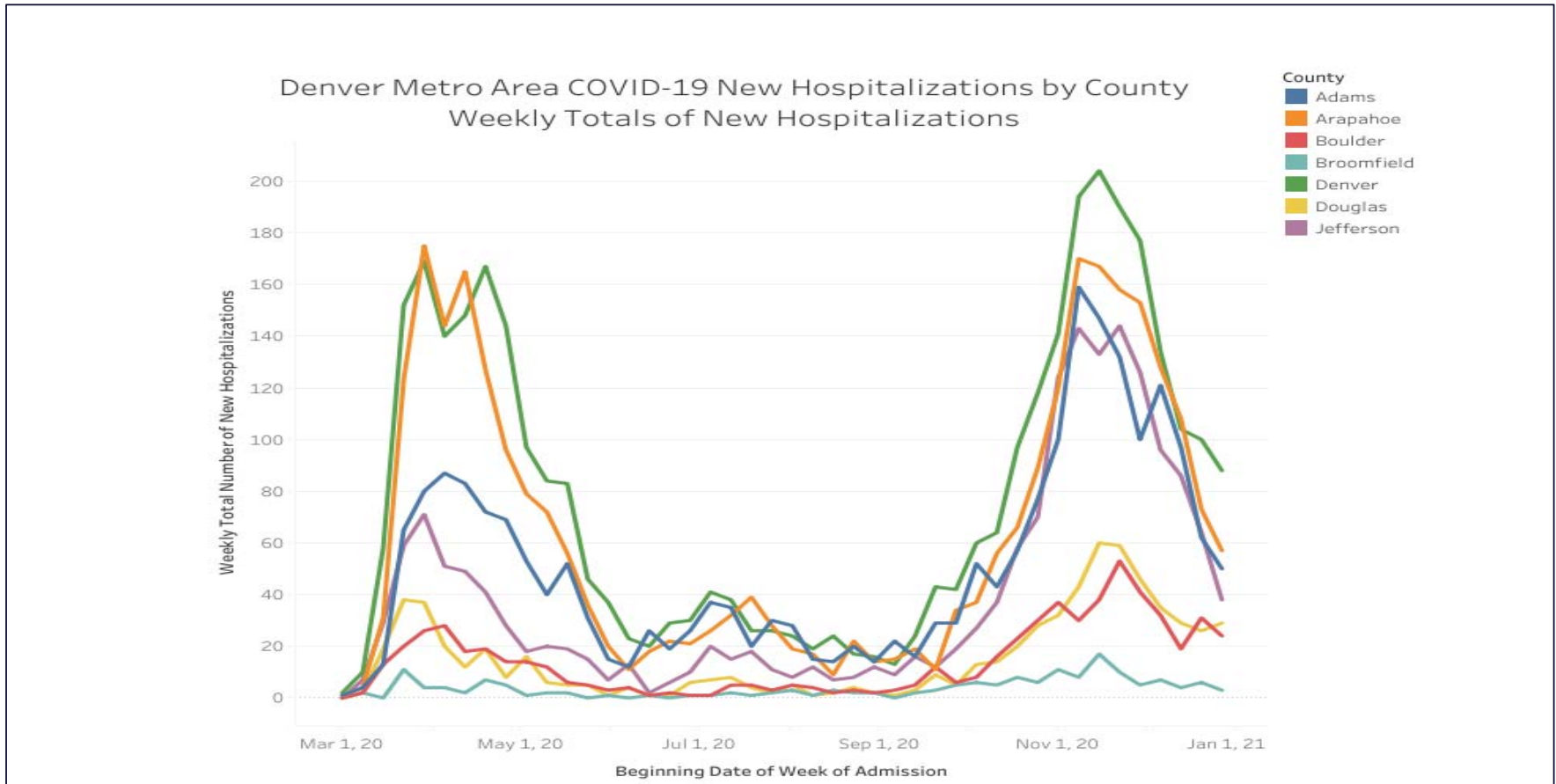


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COVID-19 Metro Denver Daily Case Trend

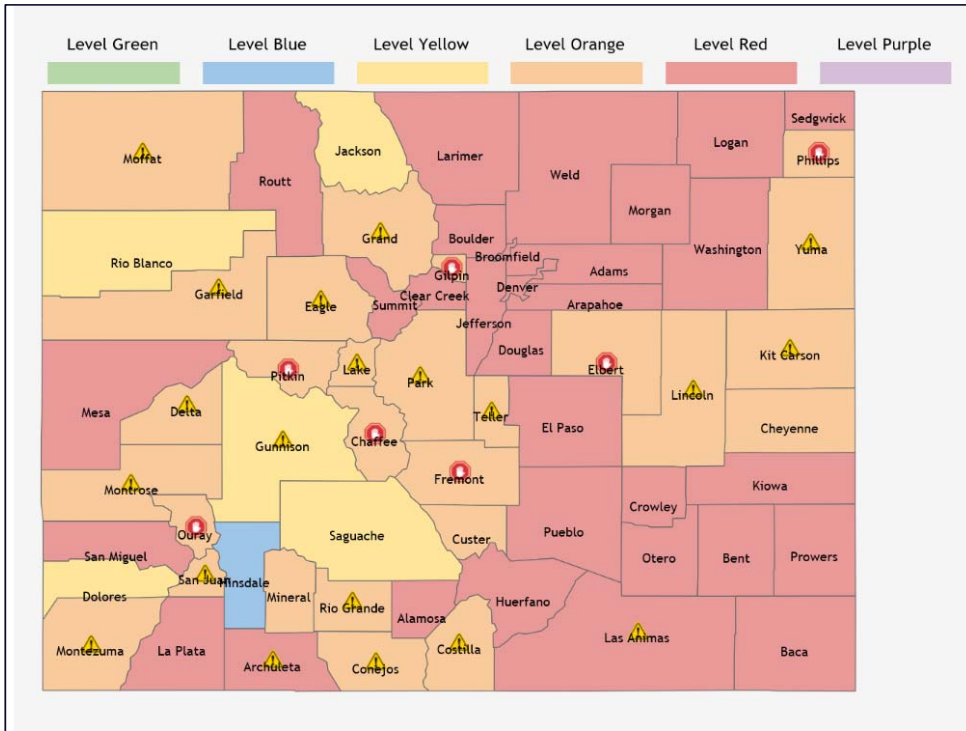


COVID-19 Hospitalizations in Metro Denver

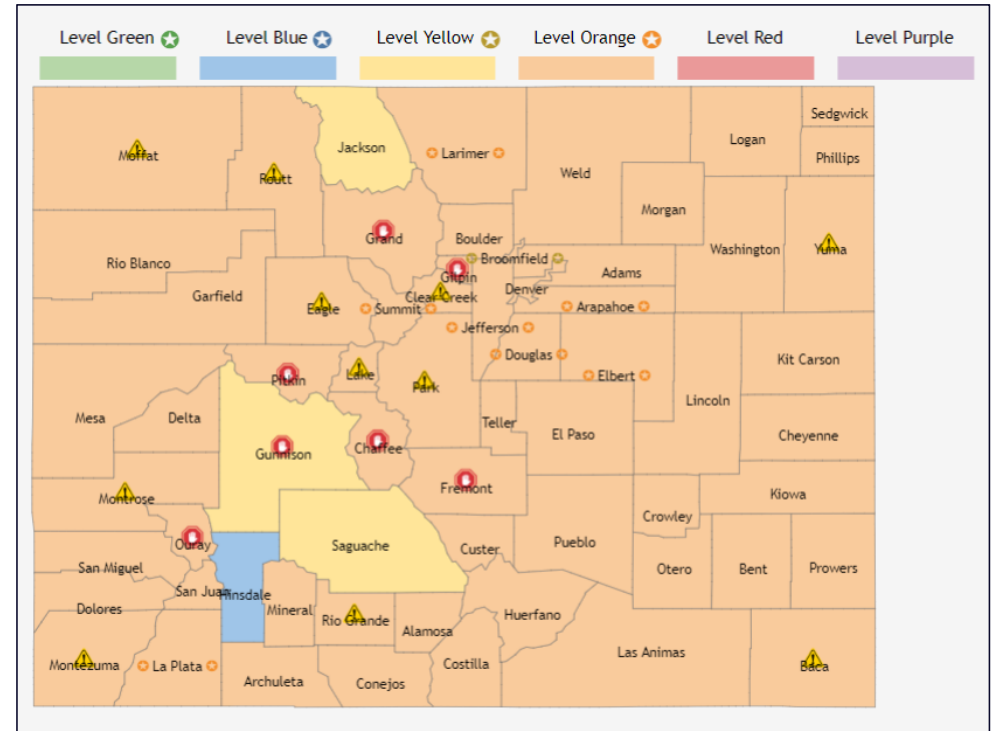


COVID-19 Level of Openness by County (as of 12.31.20)

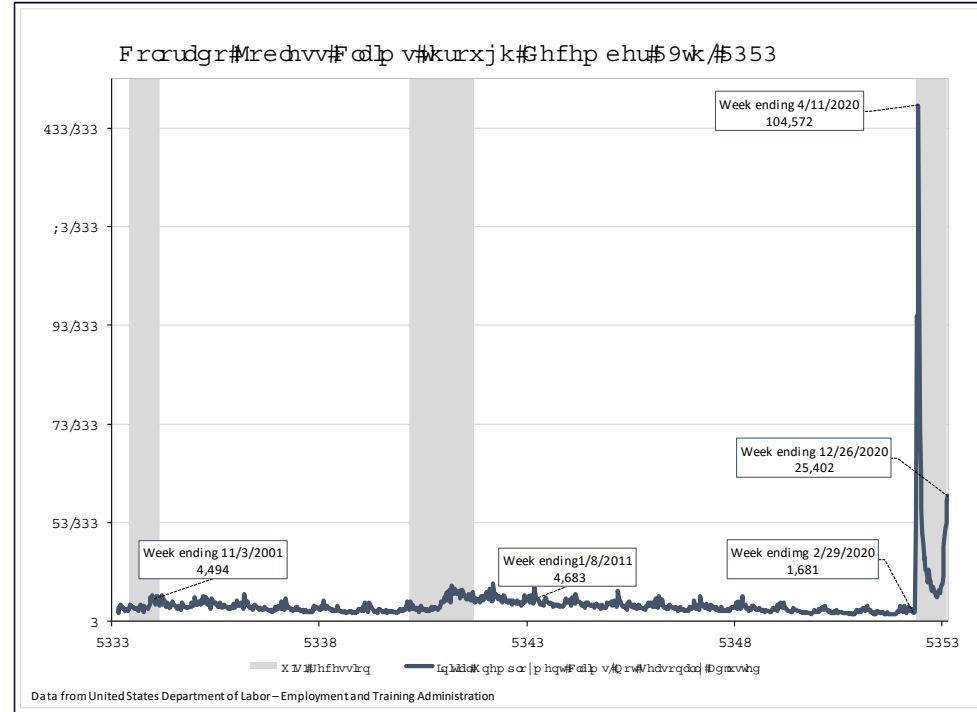
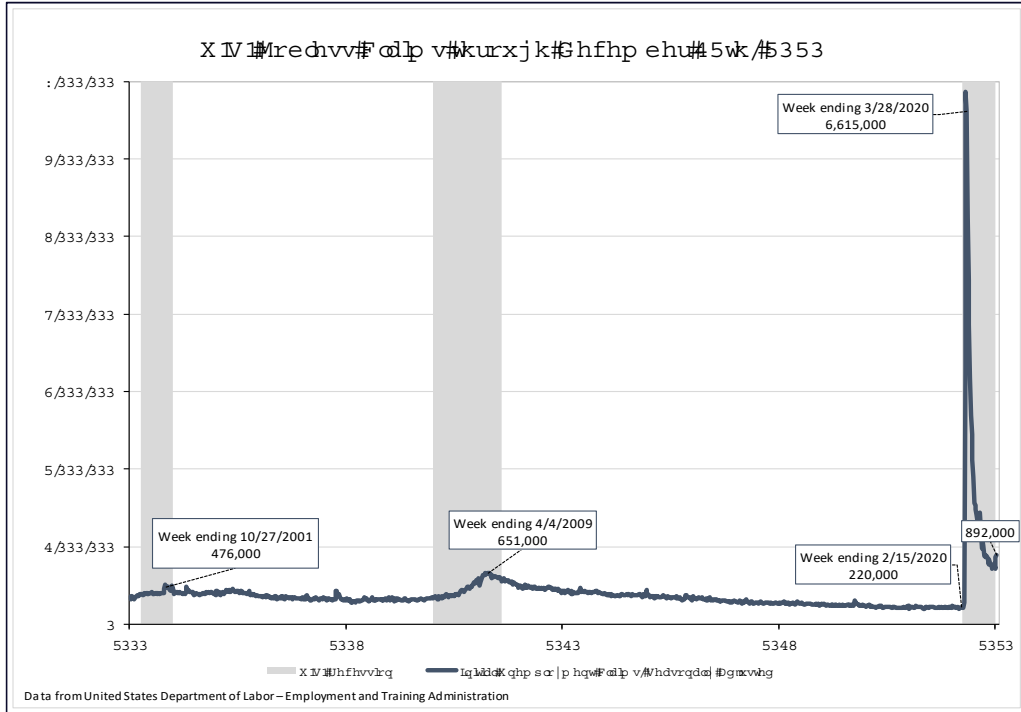
Prior Report (12.5.20)



Current

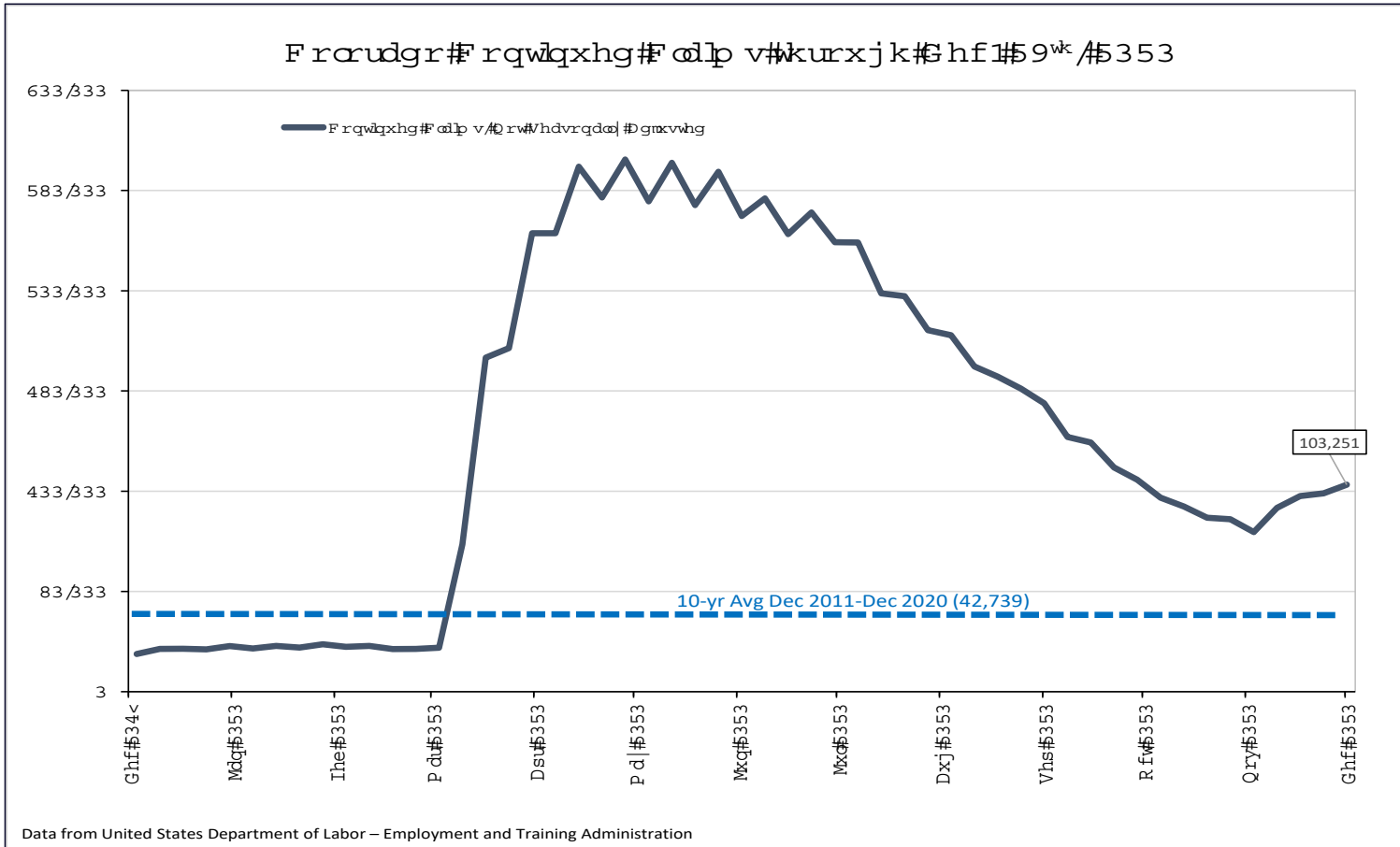


U.S. and Colorado Jobless Claims

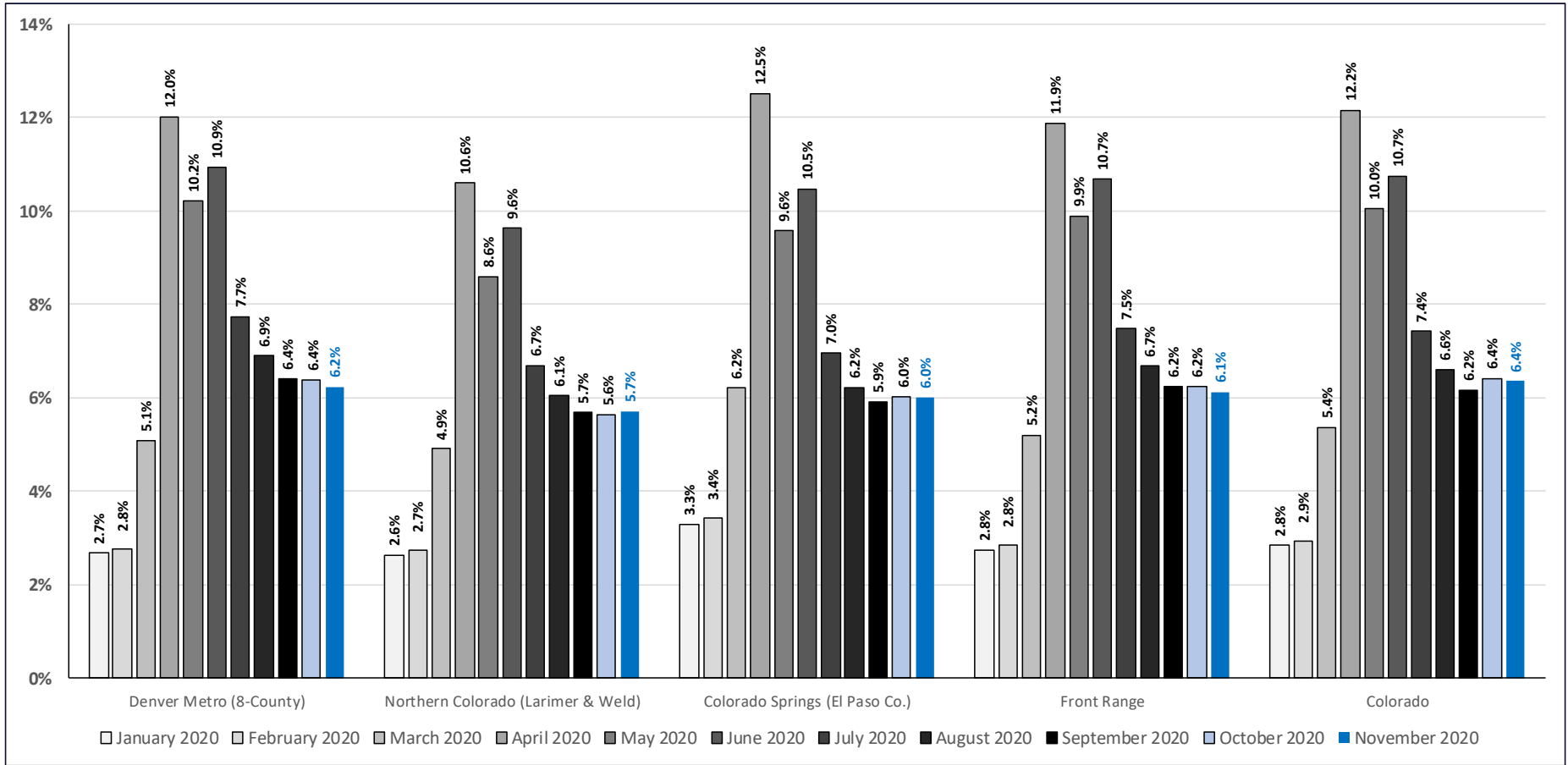


Colorado Jobless Continuing Claims – trailing 12 months

Sponsored by

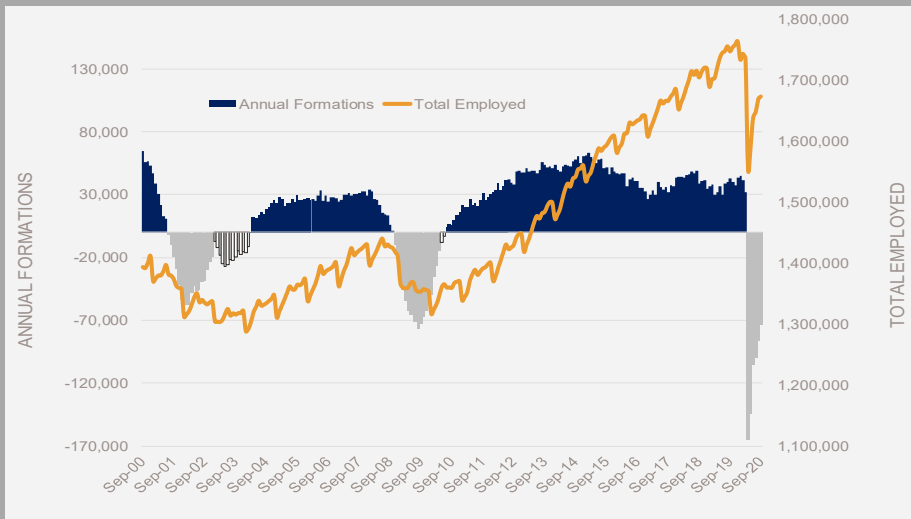


Unemployment Rates



Source: Bureau of Labor Statistics

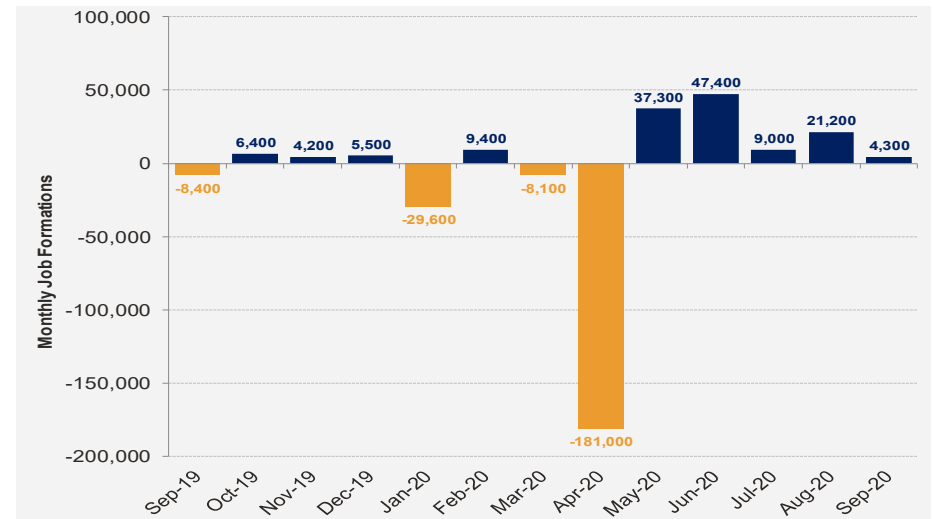
Denver Metro Annual Job Growth



- -74,000 v. September 2019
- -4.8% Annual Growth Rate
- Averaged 40,900 net new jobs per year past 10 years
- If avg 3,600 jobs per month moving forward, we won't get back to peak employment until late 2022

Source: Bureau of Labor Statistics

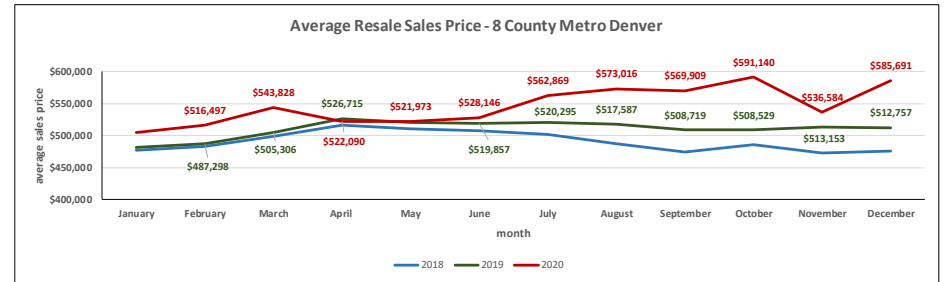
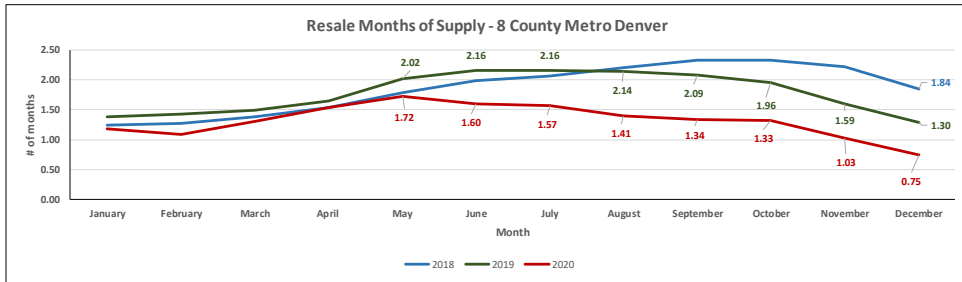
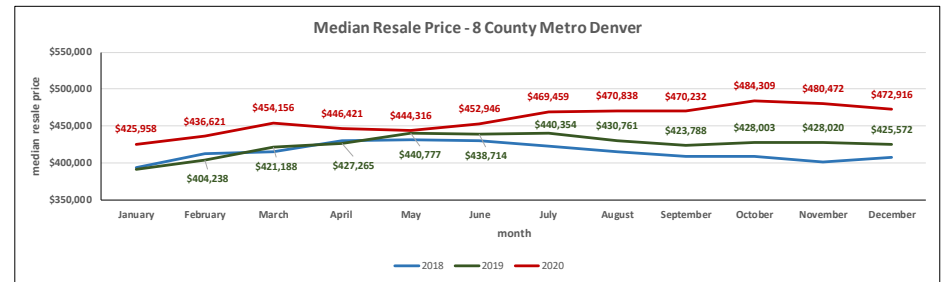
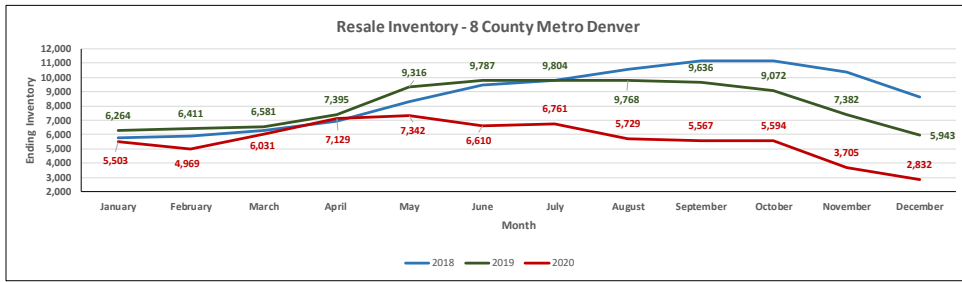
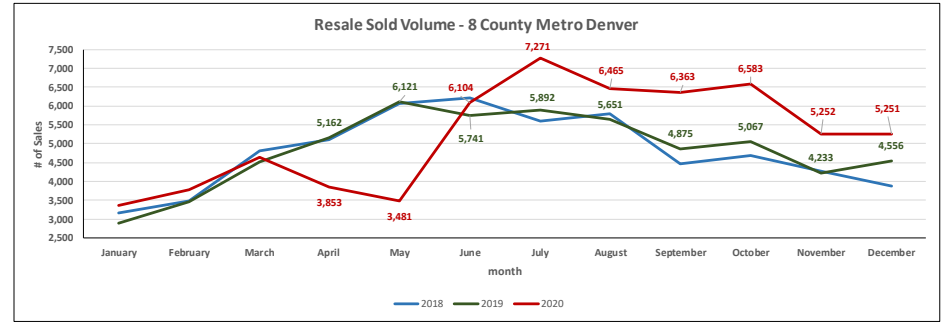
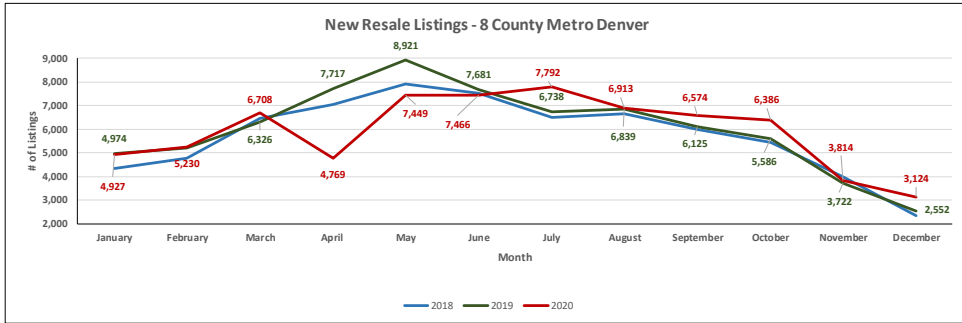
Denver Metro Monthly Job Growth



- -189,100 jobs lost in March-April (-81,100 = 43% Leisure & Hospitality)
- +119,200 jobs added back May-September (+58,800 = 49% Leisure & Hospitality)
- Monthly job formations slowing



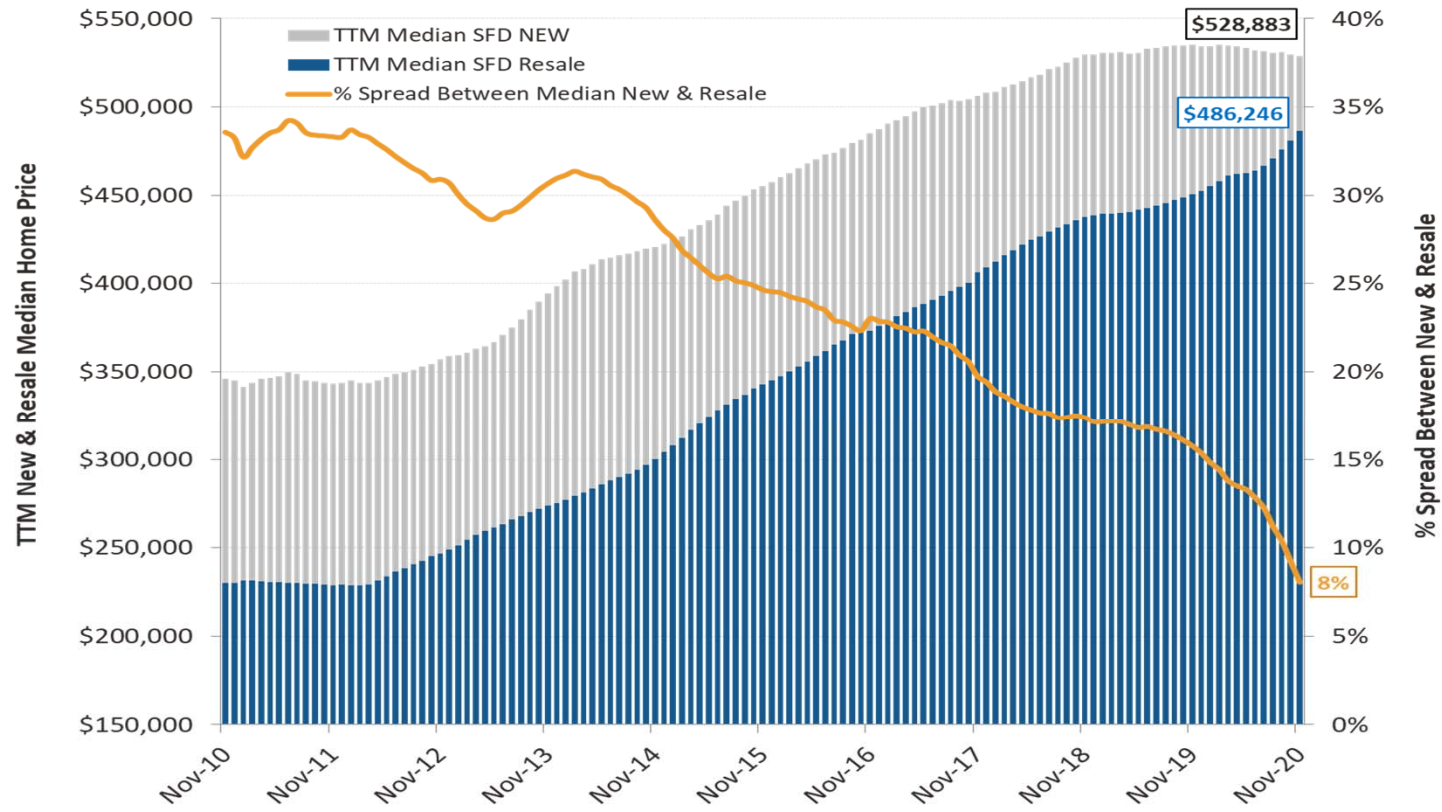
Metropolitan Denver Resale Housing Activity



Source: Colorado Association of Realtors. Zonda



Denver Metro Price Gap Narrows to 8% Between New & Resale



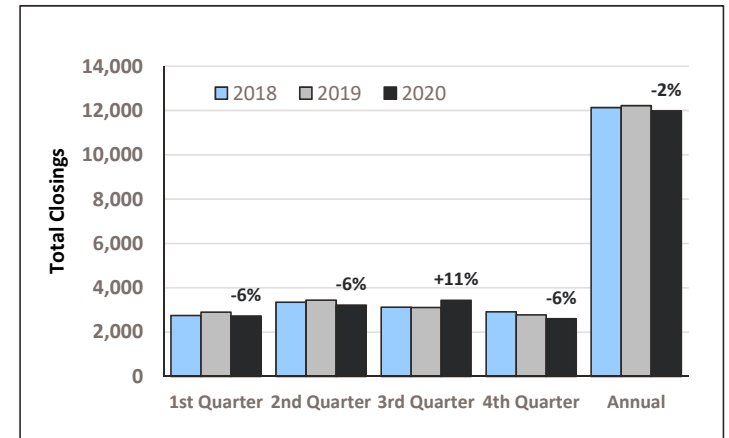
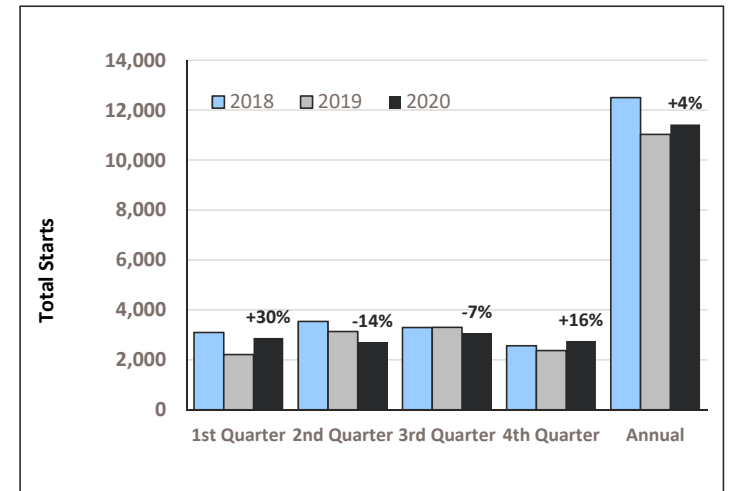
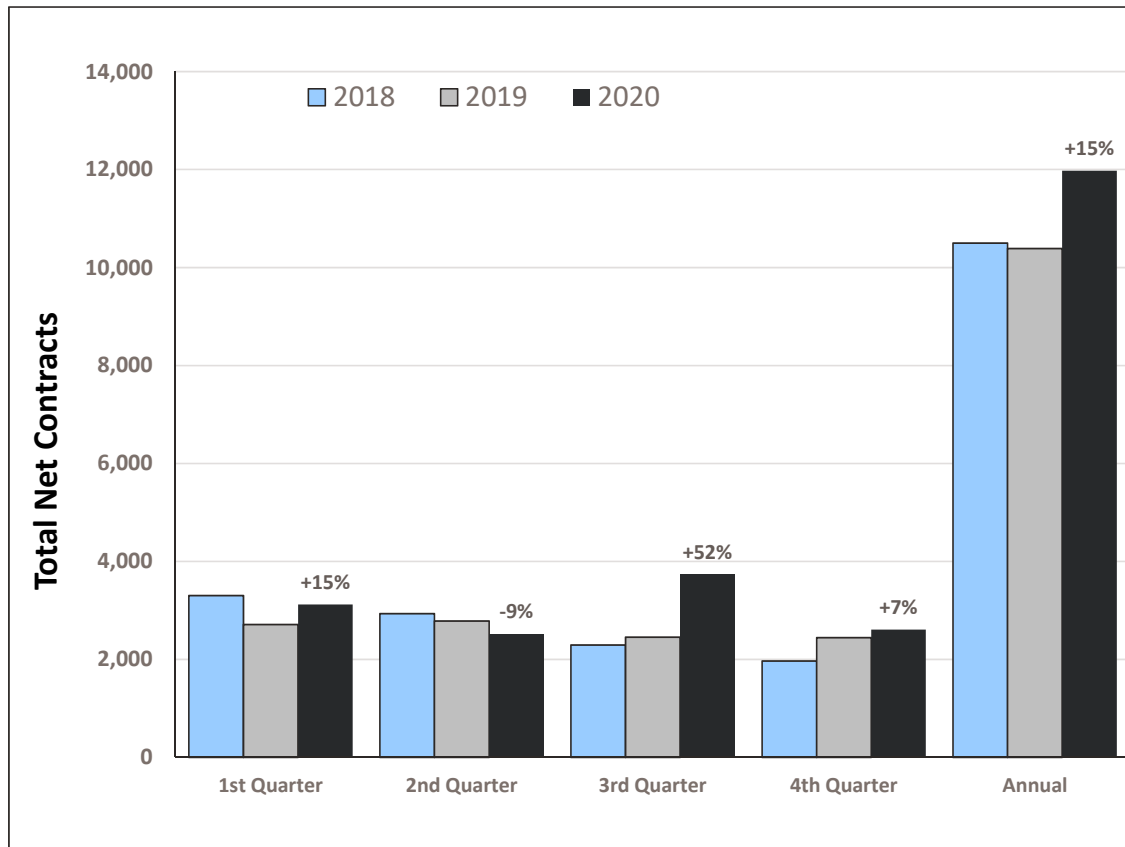
Source: Zonda; Denver Metro Association of Realtors

Denver New Home Activity

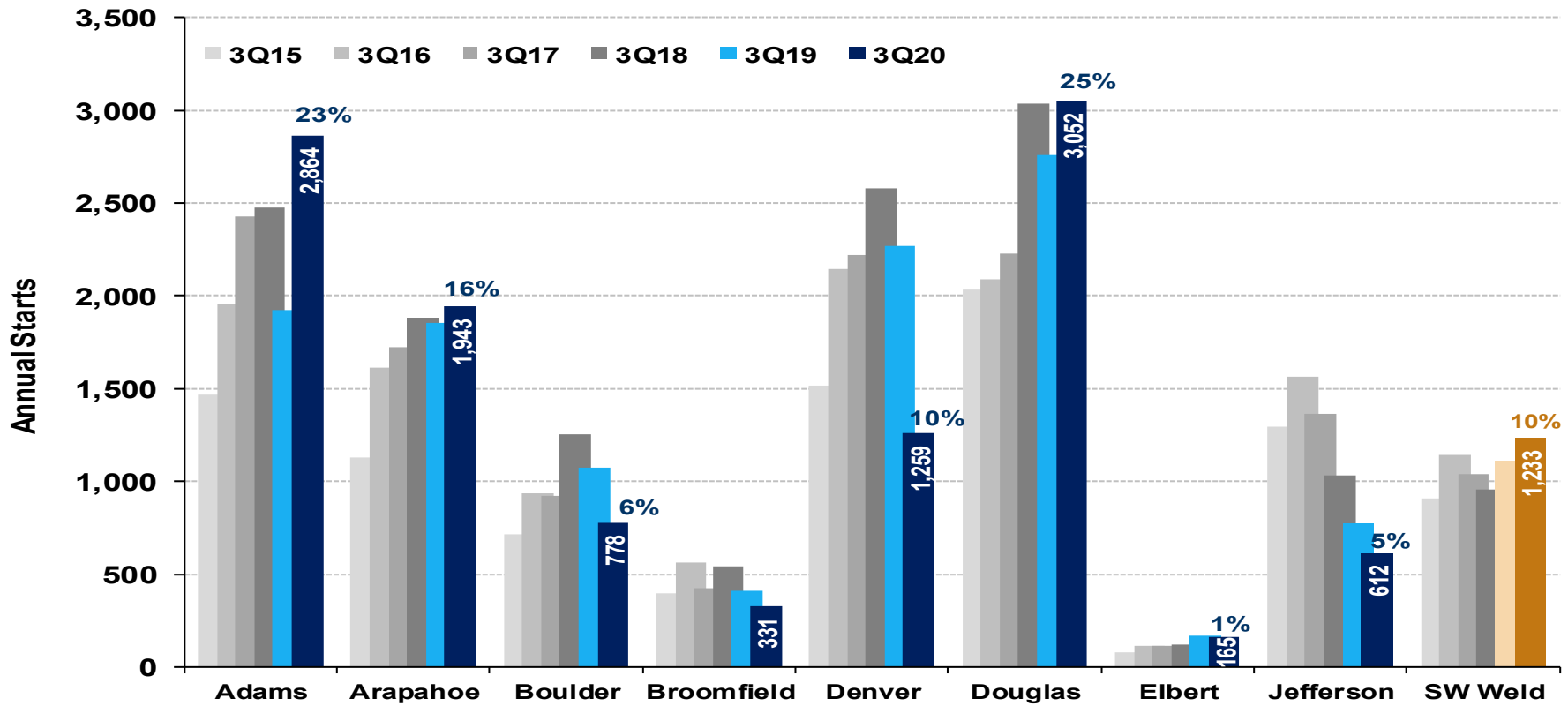
Sales & Traffic/Starts/Inventory/Closings/Lots



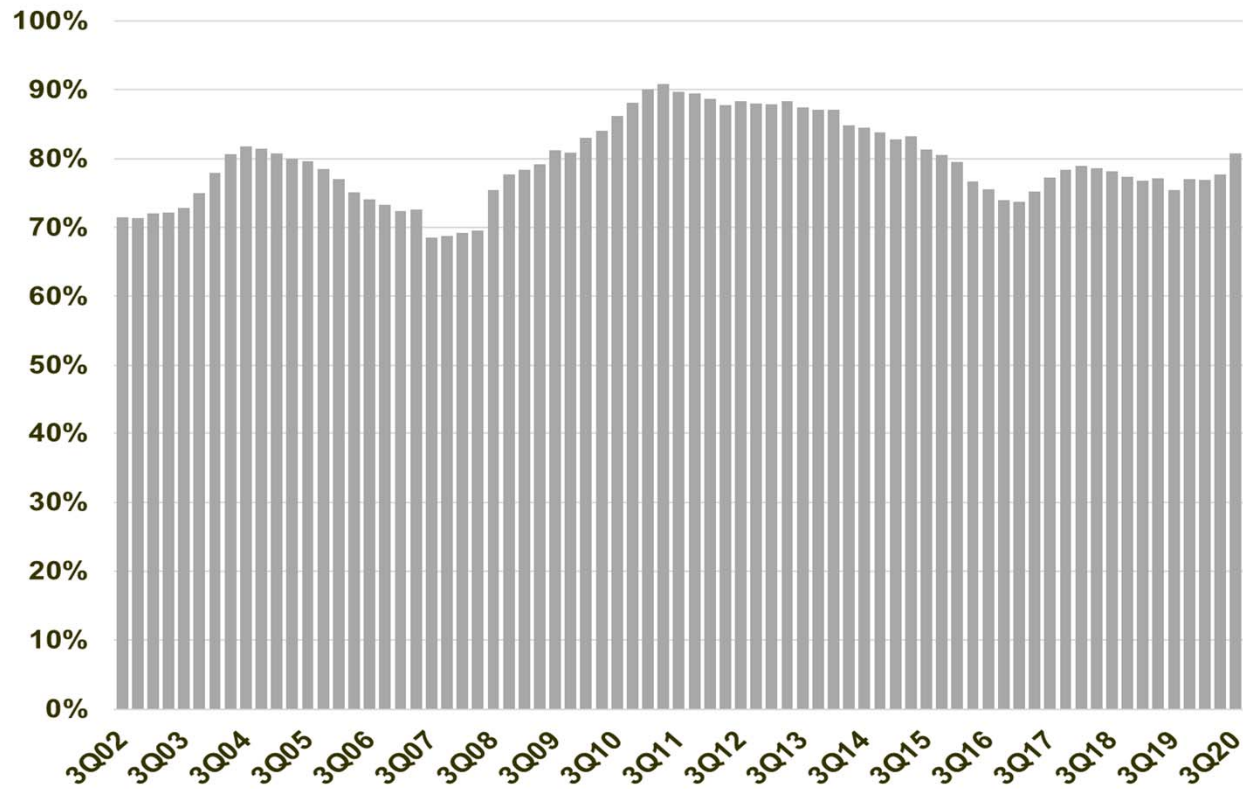
Metro Denver New Home Quarterly Contracts, Starts & Closings Comparisons



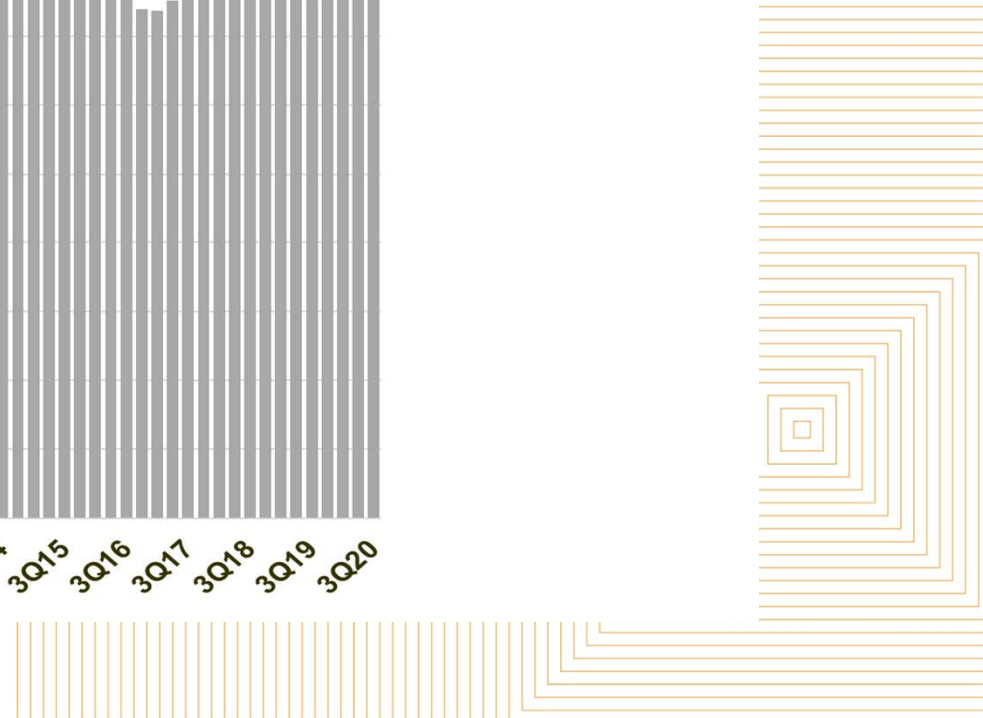
Denver Metro: Annual Starts Trend & Market Share by County



Denver Metro Master Planned Communities: 81% of Starts

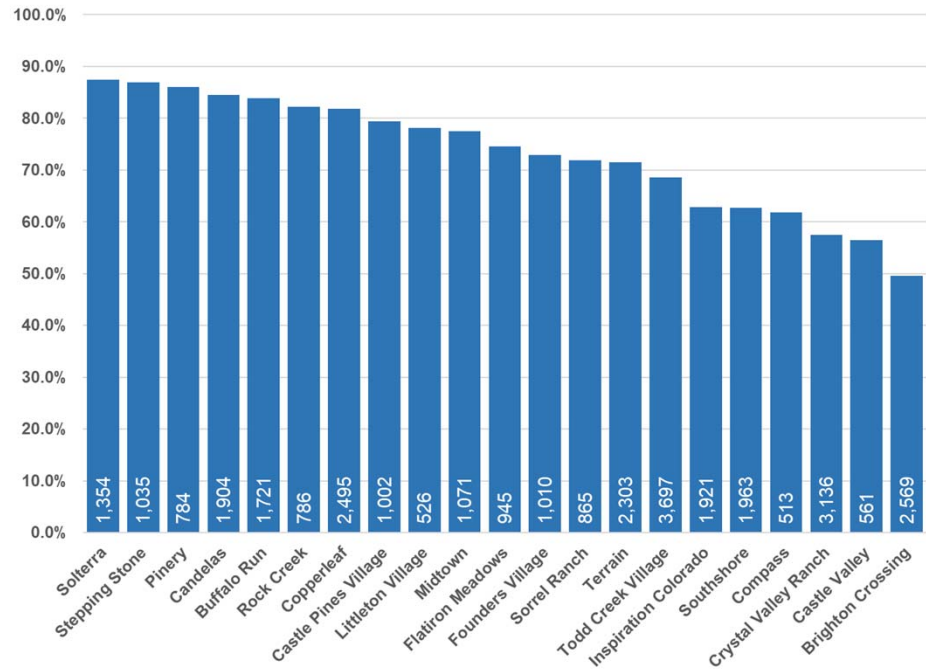
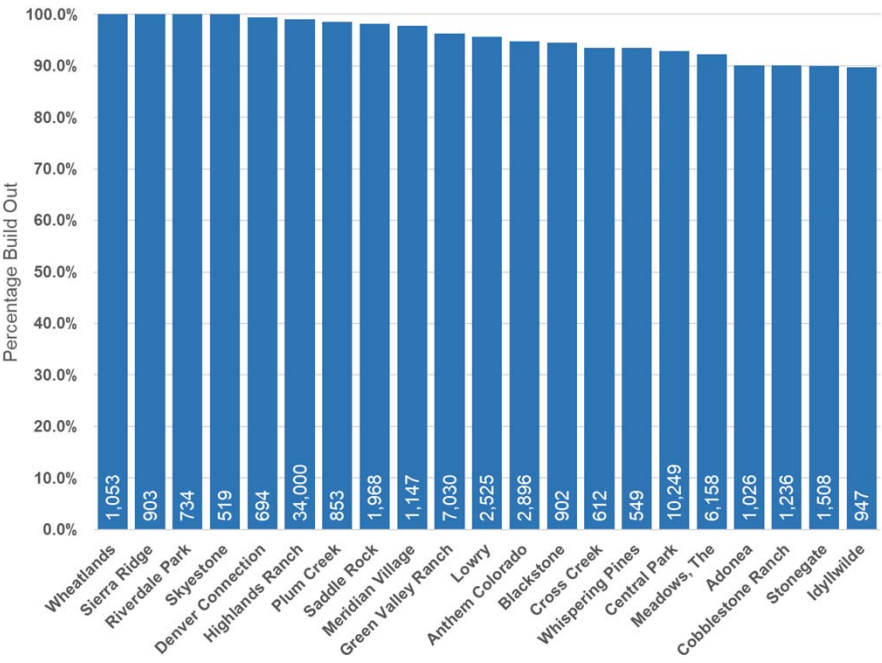


Source: Zonda

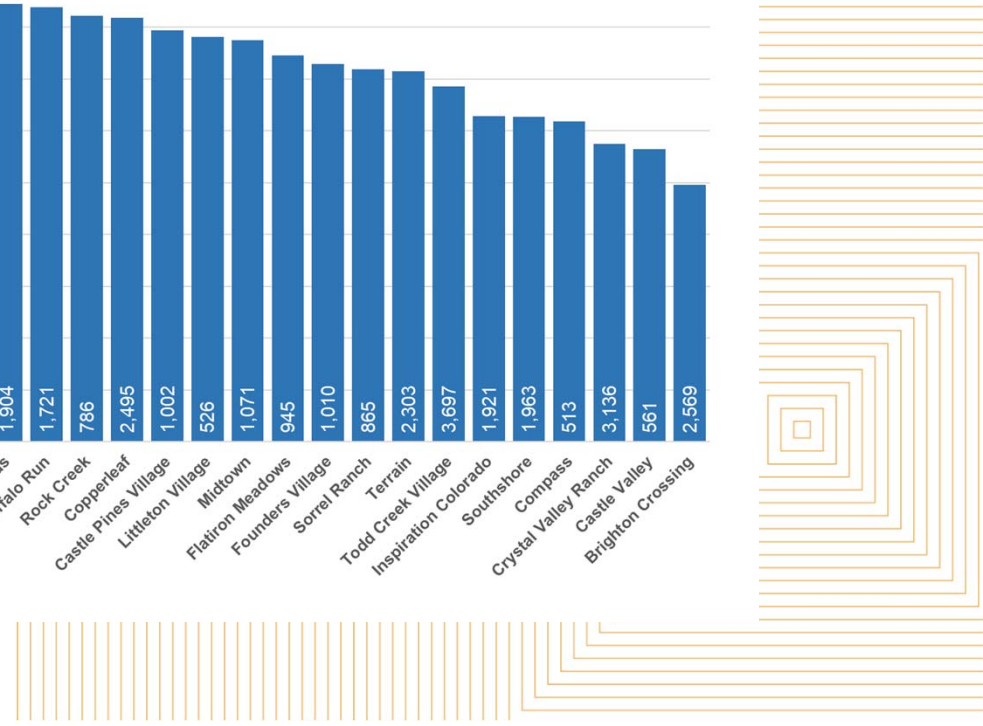




Denver Metro Master Planned Communities: % Built Out

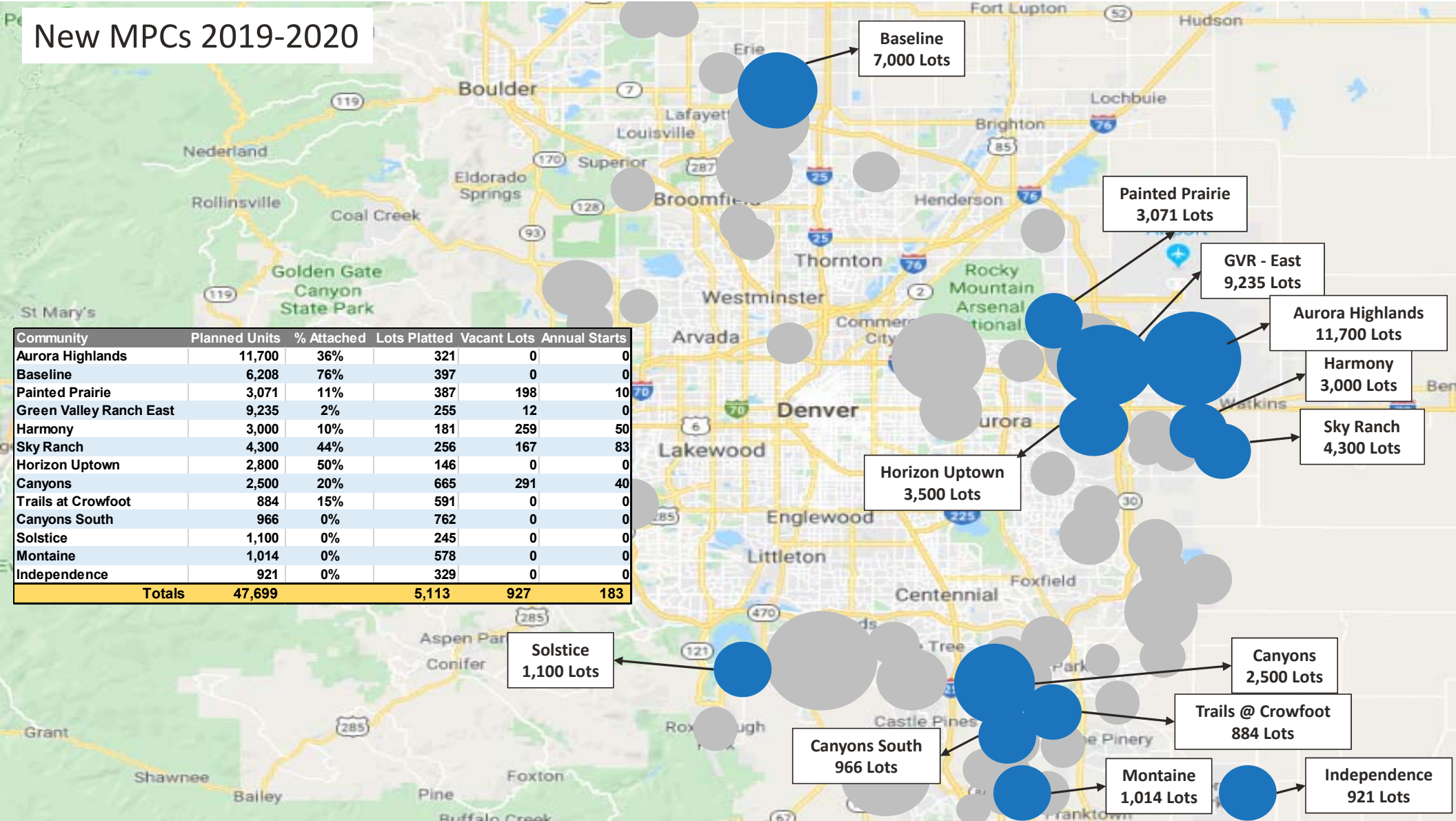


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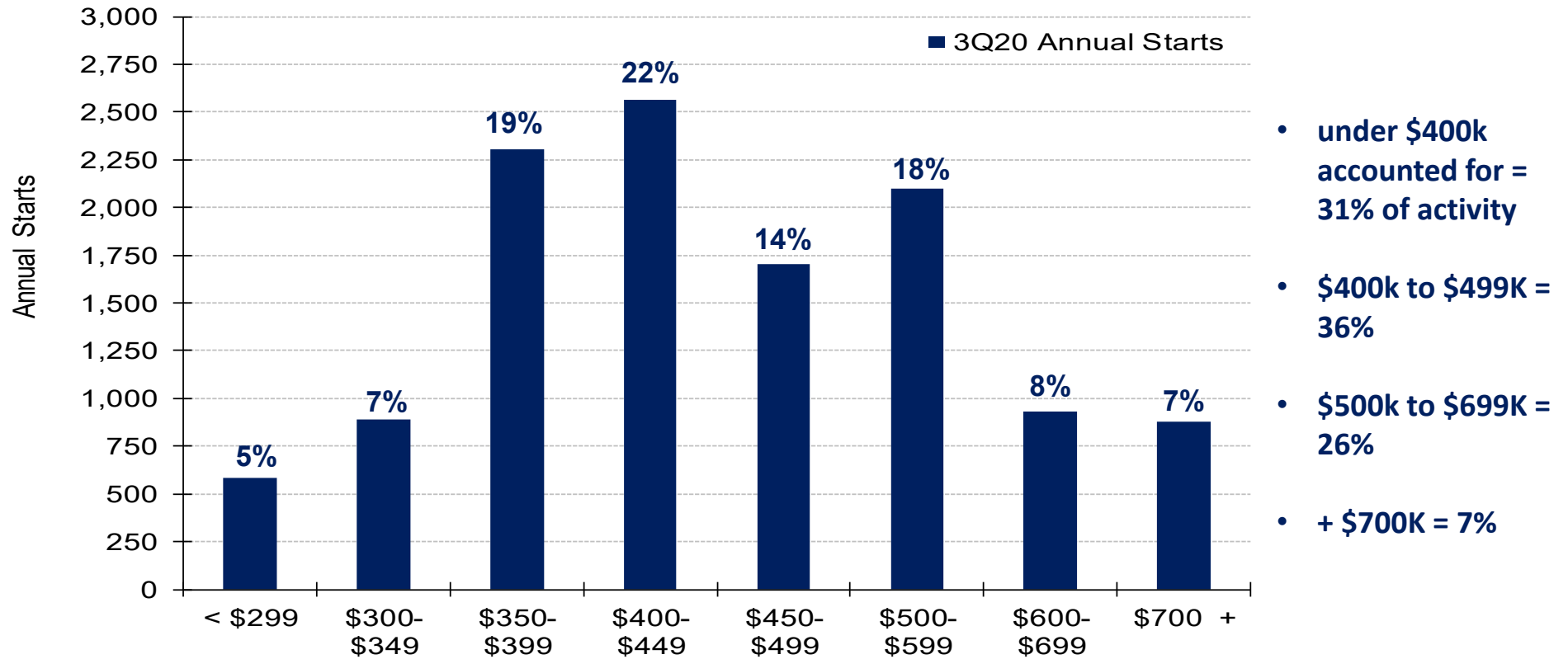


New MPCs 2019-2020

Community	Planned Units	% Attached	Lots Platted	Vacant Lots	Annual Starts
Aurora Highlands	11,700	36%	321	0	0
Baseline	6,208	76%	397	0	0
Painted Prairie	3,071	11%	387	198	10
Green Valley Ranch East	9,235	2%	255	12	0
Harmony	3,000	10%	181	259	50
Sky Ranch	4,300	44%	256	167	83
Horizon Uptown	2,800	50%	146	0	0
Canyons	2,500	20%	665	291	40
Trails at Crowfoot	884	15%	591	0	0
Canyons South	966	0%	762	0	0
Solstice	1,100	0%	245	0	0
Montaine	1,014	0%	578	0	0
Independence	921	0%	329	0	0
Totals	47,699		5,113	927	183

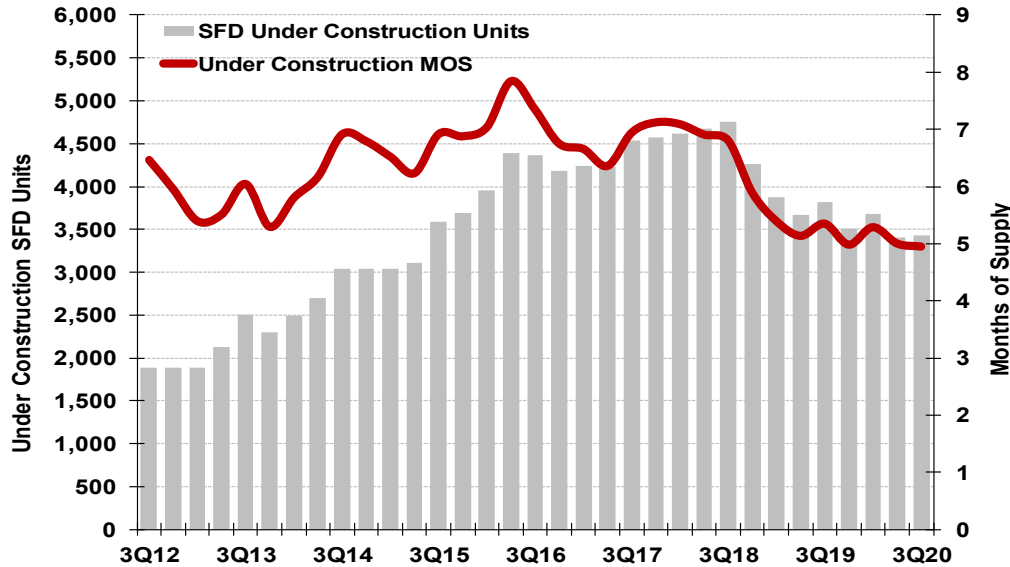


Denver: 3Q20 Annual Starts Market Share by Price (All Product)

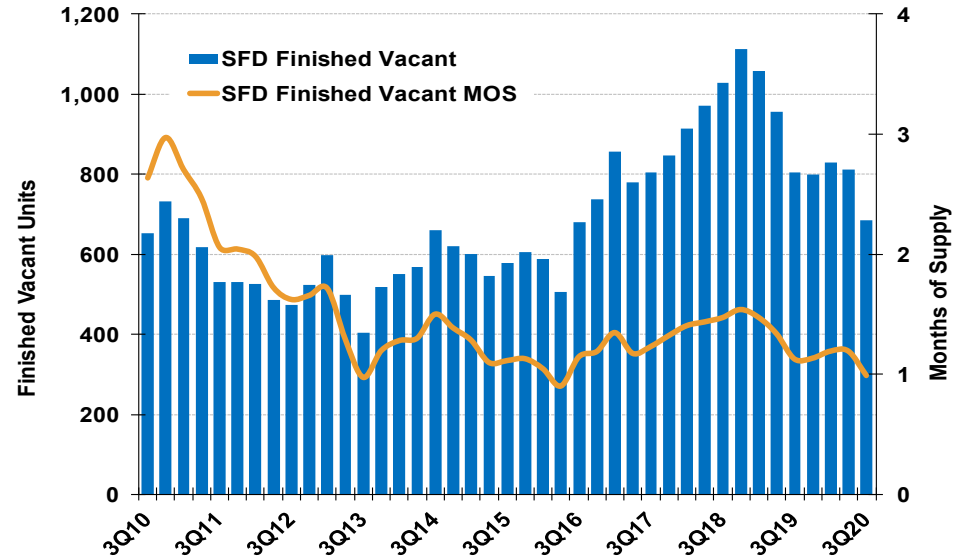


Denver Metro SFD New Home Inventory Remains Tight

Under Construction INV down -10% YOY



Finished Vacant INV down -15% YOY



Denver

Looking Ahead



Denver Metro Scenario 1

Scenario 1	
Health	<p>No second 'bounce' in cases that would result in a repeat of stay-at-home measures.</p> <p>Attain Level 3 or beyond "Protect our Neighbor" stage.</p> <p>Testing measures available for all. Vaccine available by/before end of year.</p>
Government	<p>Restaurants allowed to stay open at 50% capacity in the short term and expand to full capacity by end of year.</p> <p>Large gathering events allowed in the second half of the year (i.e. sports, concerts, etc.).</p> <p>Daycares allowed to stay open. Children able to attend school in-person in the Fall.</p> <p>Governmental offices open up to allow return of normal permitting and inspections.</p>
Economy	<p>Unemployment rate drops back to below 8% by end of summer and 6% by end of year.</p> <p>Initial unemployment claims drop to near-normal levels.</p> <p>Airline travel returns to at least 75% of normal by end of year.</p> <p>Stock market stabilizes - Dow Jones Index stays above 25,000.</p> <p>Retail spending at 95% or greater of 2019 levels.</p>
Housing	<p>Model homes stay open up without any major restrictions.</p> <p>Resale market has less than < 75% of 2019 inventory levels and at least 90% of 2019 sales levels.</p> <p>Resale inventory supplies stay low - below 2.0 months</p> <p>Mortgage rates remain below 3.5% for a 30-year term.</p> <p>Completed new home inventory remains at or below equilibrium of 1.5 to 2.0 months.</p> <p>New home start levels are 0 to 5% above 2019 levels.</p>
	<p><i>Public narrative regarding economic concerns significantly outweigh health fear concerns.</i></p>



Denver Metro Scenario 2

Scenario 2	
Health	Maintain or exceed Level 2 "Safer at Home" stage Testing measures available for all those in need. Vaccine announcement by end of year.
Government	Large public gathering events reduced to 50 people, continuing restriction on attendance at concerts, sporting events and festivals. Daycares open. Children attend school in the Fall both in-person and virtually requiring at least one adult household member to be at home on some days. Testing measures available for all those in need. Vaccine announcement by end of year. Restaurants allowed to remain open, but still at 50% capacity for the remainder of the year.
Economy	Unemployment rate settles in between 6% and 8%. Airline travel returns to 50% to 75% of 2019 levels by end of year. Retail spending at 80% to 95% or greater of 2019 levels. Stock market volatile, but Dow Jones Index stays between 20,000 and 25,000.
Housing	Model homes open for normal visits (with minor inconveniences; i.e. face masks and physical distancing). Resale market at 75% to 100% of 2019 inventory levels and 80% to 90% of 2019 sales activity. Due to continued physical distancing requirements, construction timelines remain less efficient and municipal permitting and inspections delayed or unpredictable. Completed new home inventory grows above 2.0 months. New home start levels at 0% to 10% below 2019 levels.
	Public narrative regarding economic concerns is balanced with health fear conversations.

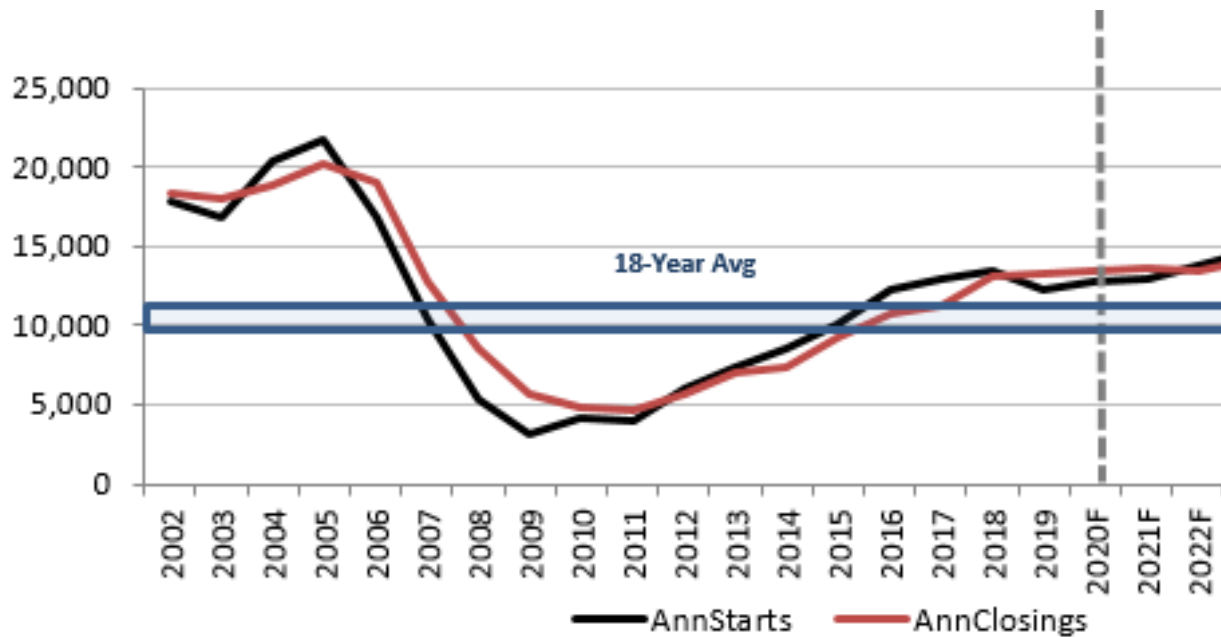


Denver Metro Scenario 3

Scenario 3	
Health	Return to Level 1 "Stay at Home" stage again. Testing measures remain limited. No vaccine announcement by end of year.
Government	Daycares and schools forced to operate entirely virtually, likely requiring at least one adult household member to be at home. Continued restrictions on large gathering events for the remainder of the year. Restaurants forced to close again due to second "wave".
Economy	Unemployment rate settles in between 8% and 10%. Airline travel remains below 50% of 2019 levels for at least remainder of year. Retail spending at less than 80% of 2019 levels Stock market volatile - Dow Jones Index drops below 20,000.
Housing	Model homes sales centers forced to close or operate by appointments only again. Resale market at more than 100% of 2019 inventory levels and less than 80% of 2019 sales activity. Price depreciation in resale and new home markets. Notice of foreclosures become part of narrative. Resale inventory climbs above 4.0 months supply. New home start levels are > 10% below 2019 levels.
	Public narrative regarding health concerns significantly outweigh economic concerns.



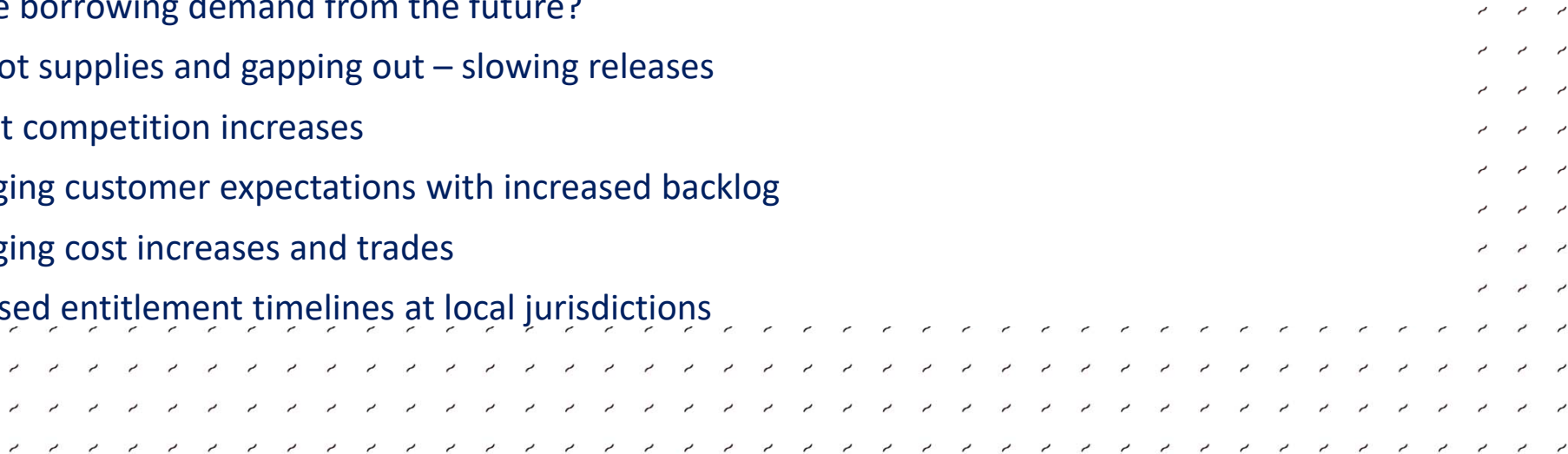
Denver Market: 2020-22 Housing Start Forecast – If Something Like Scenario One Plays Out



- With strong 3rd and 4th quarters, 2020 starts/closings expected to be up 0-5%. Stronger increase in SW Weld (up +15%)
- Annual Closings exceed Starts for 2nd consecutive year in 2020
- Strong backlog carries into 2021 but pace of recent growth slows due to pricing, lots, economic uncertainty
- Anticipating stronger year in 2022 as lot availability widens, economy grows, and Covid fears diminish

Denver Market – Challenges Ahead

- Election concerns
- Pandemic unknowns – cases starting to spike again
- Economic uncertainty – future layoffs
- High unemployment and fragile consumer confidence
- Mortgage forbearance – a possible spike in foreclosures
- Price appreciation puts homes out of reach given area household incomes
- Are we borrowing demand from the future?
- Tight lot supplies and gapping out – slowing releases
- Market competition increases
- Managing customer expectations with increased backlog
- Managing cost increases and trades
- Increased entitlement timelines at local jurisdictions



Denver Market – What We Have Going For Us

- Record low interest rates
- Record low RESALE Inventory
- Healthy price appreciation and equity
- Strong Pre-Covid economy that appears to be stabilizing
- Steady business expansion
- In-migration
- Stable rental market
- Substantial pent up demand – riding the wave
- If pandemic shut-down occurs again, builders know how to shift operations quickly
- Strong demographics
- New communities opening up with more affordable product
- Low NEW Home inventory
- Mindshare of buyers shifting to NEW homes
- New home design trends to accommodate shifting buyer preferences during pandemic
- Interest in BFR product is growing
- Consumer confidence
- Healthy sales backlog
- Flight from urban core (+ for suburban builders)





Thank you

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