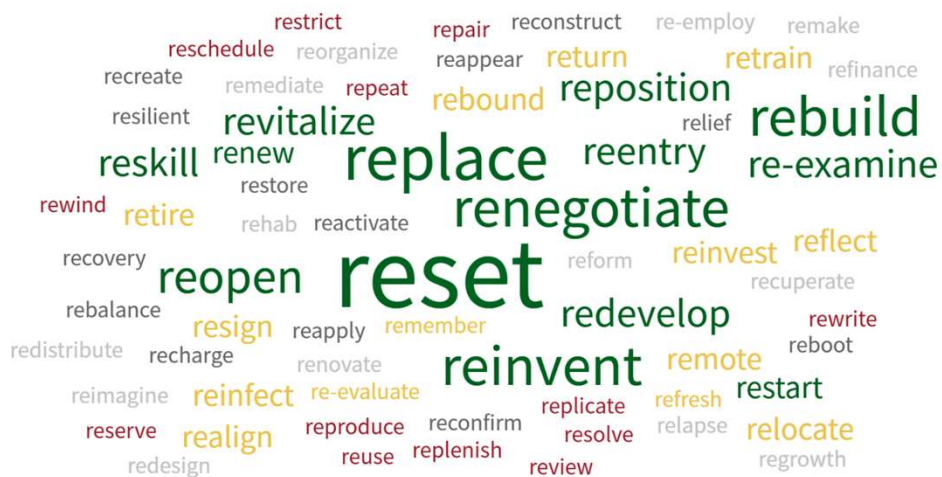


RESET: 2022 Economic Forecast for Metro Denver

January 21, 2022



Prepared by:



In Partnership with:



Divergent Global Outlook, Strong Downside Risk

- COVID-19, Omicron variant, vaccination status still dominate the economic outlook.
- Global movement of goods and people, supply chain issues, constrained labor availability wreaking havoc on recovery pace.

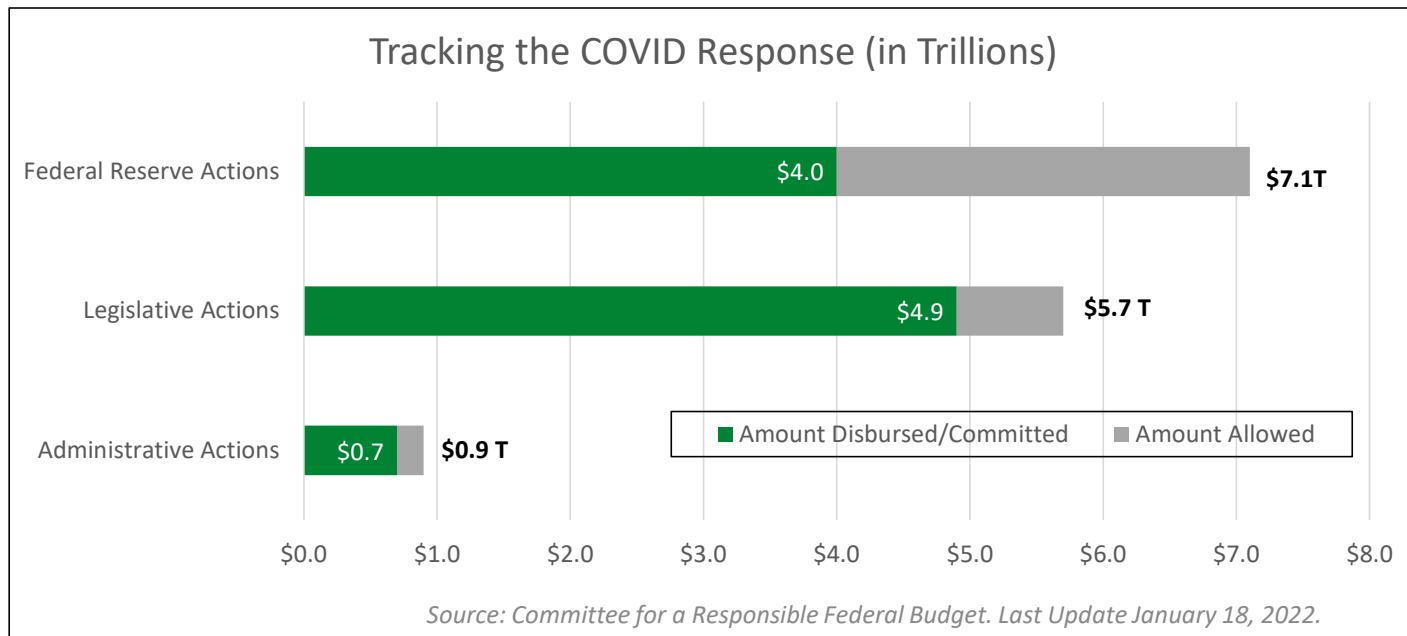
Year over Year Growth in Output

	2019	2020	2021	2022
World	2.8%	-3.1%	5.9%	4.9%
United States	2.2%	-3.4%	6.0%	5.2%
Euro Area	1.3%	-6.3%	5.0%	4.3%
Canada	1.9%	-5.3%	5.7%	4.9%
Mexico	-0.2%	-8.3%	6.2%	4.0%
China	6.0%	+2.3%	8.0%	5.6%

Source: International Monetary Fund, World Economic Outlook Update, October 2021.

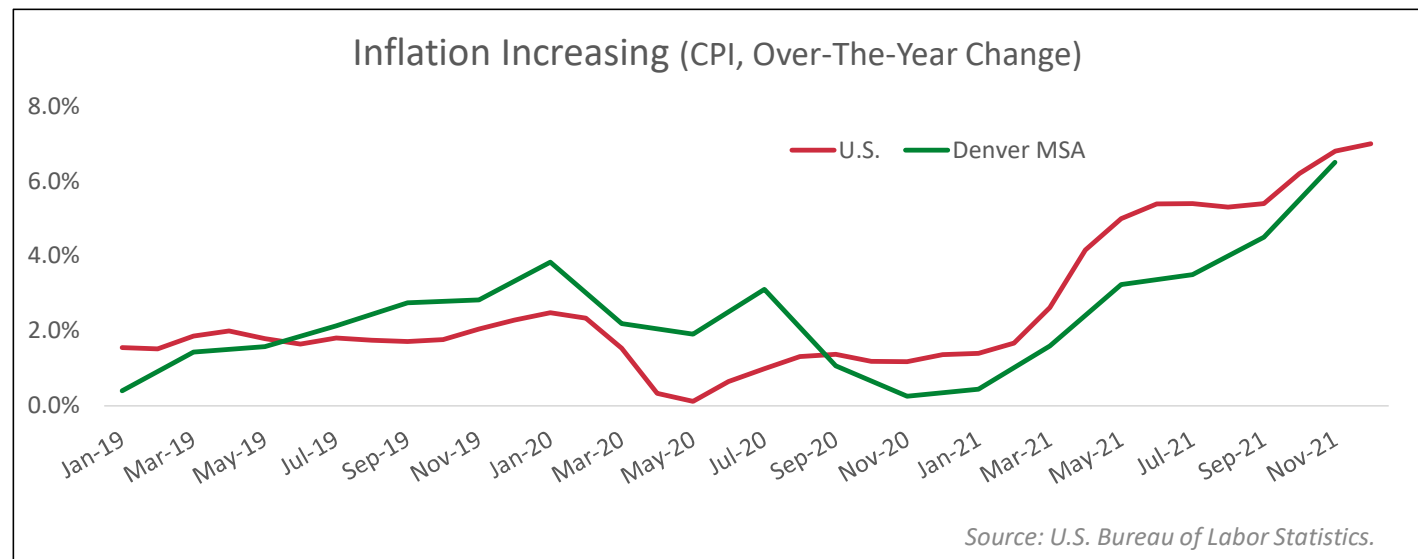
Large Amount of COVID Relief Funds Infused into the Economy

- Estimated \$13.7 Trillion in relief funds approved; \$9.6 Trillion committed (direct payments, grants, loans, tax relief).
- Committed Funds = 45% of 2019 GDP (\$21.4 Trillion).



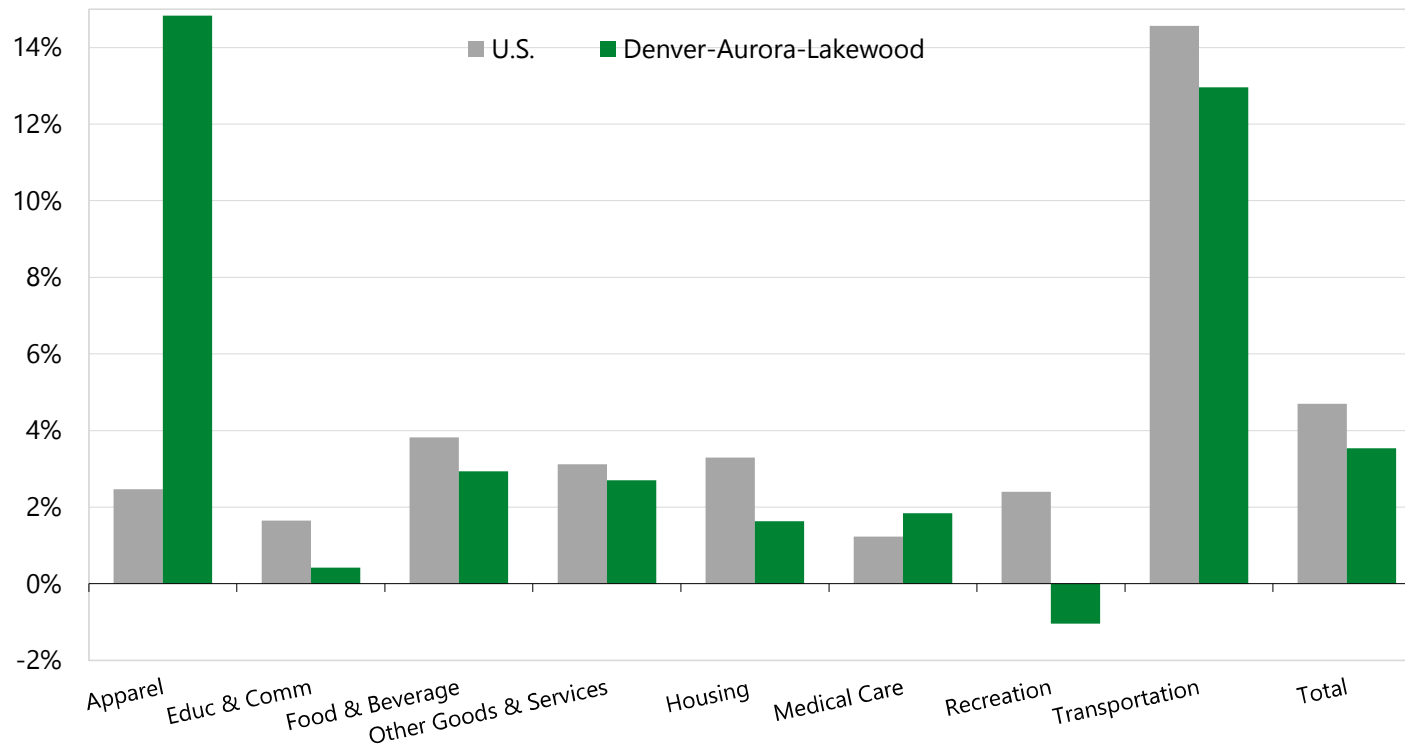
But the COVID Relief Funds Come with a Cost

- Federal budget deficit increased from \$1T in 2019 to \$3.1T in 2020. Slight decrease to \$2.8T in 2021.
- 2021 Total Debt held by public = \$23T (103% of GDP)
- The Federal Reserve has maintained the federal funds rate to a range of 0 to 0.25 percent but tightening expected.



Inflation by Components Reveals Why Still Perceived as Short-Term

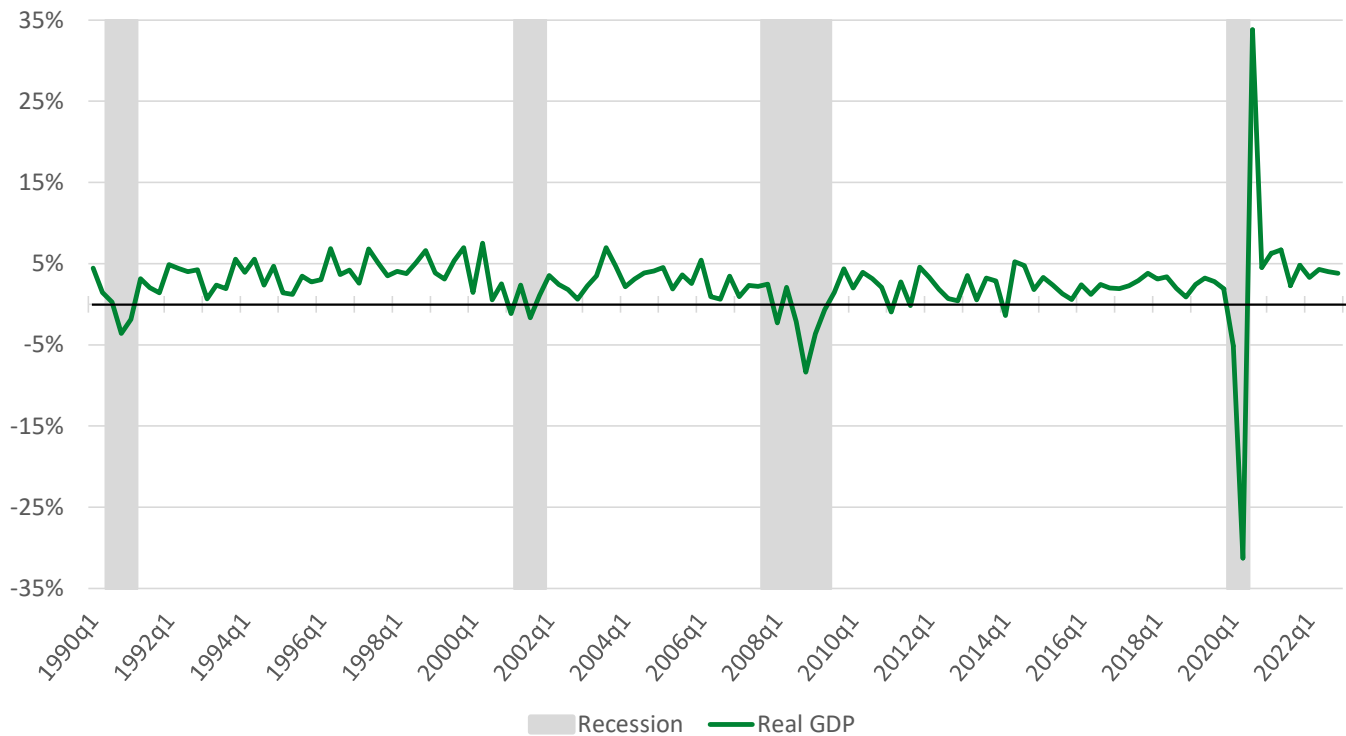
2020-21 Change in CPI by Category



Source: U.S. Bureau of Labor Statistics, Consumer Price Index.

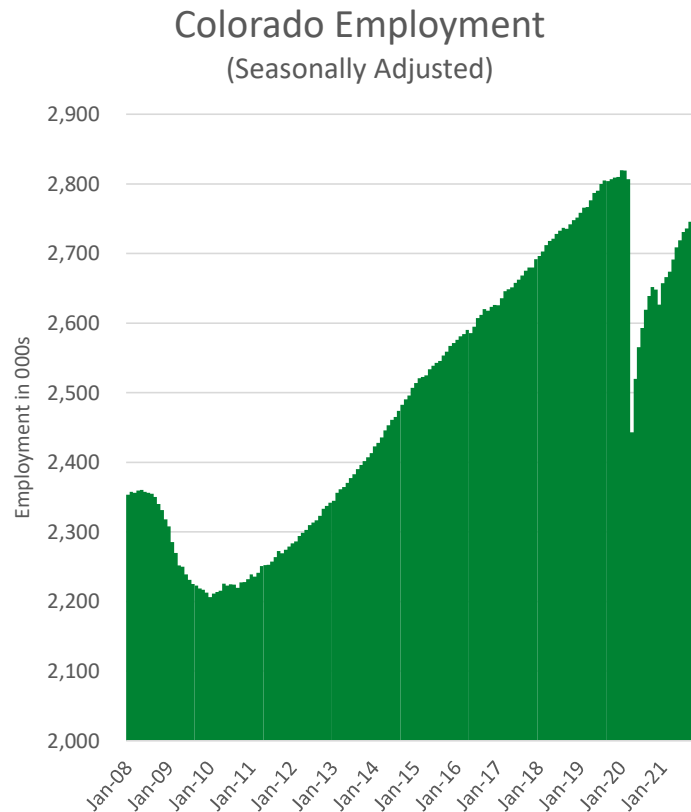
Real GDP Growth Rate and NBER Cycles

U.S. economy expanded for record 128 months (June 2009-February 2020)
U.S. economy contracted for record 2 months (February 2020-April 2020)



Sources: U.S. Bureau of Economic Analysis; National Bureau of Economic Research.
2022=DRP Forecast.

Colorado Ranks #17 in Employment Recovery



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

Great Recession:

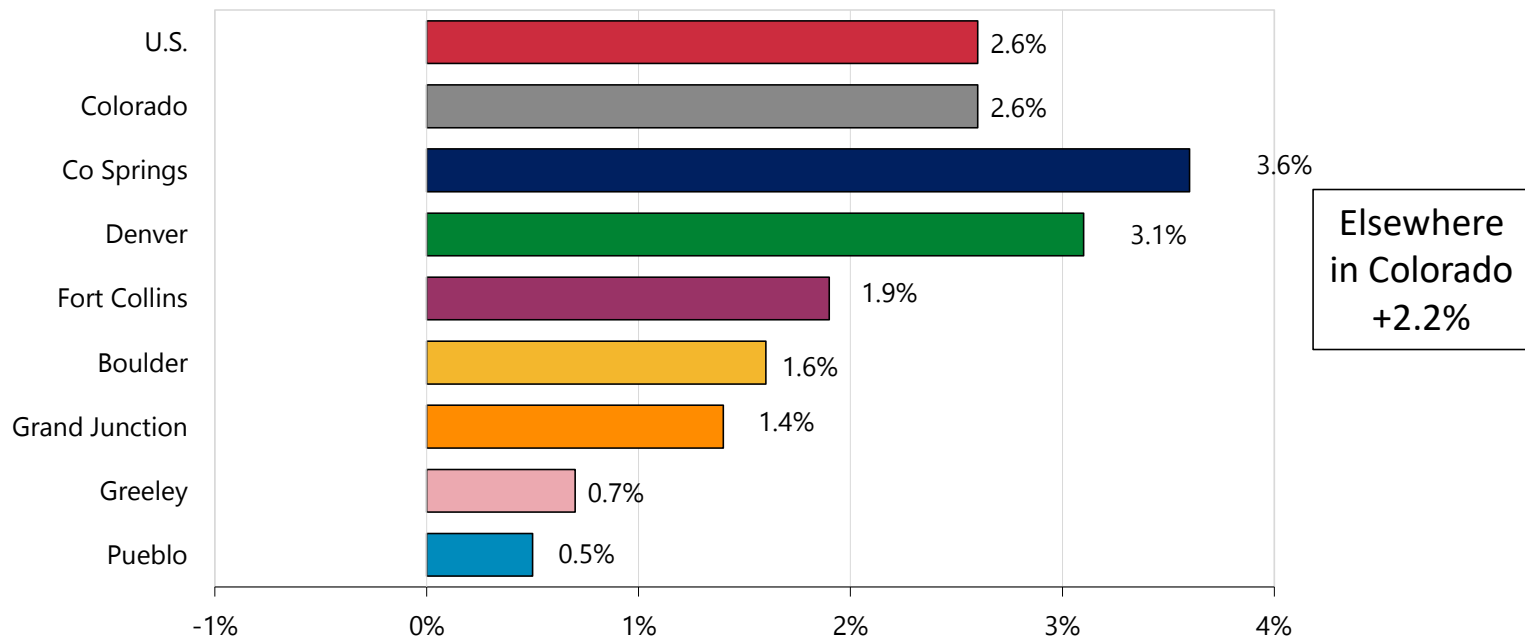
- 154,000 jobs lost over 20 months (May 2008 – Jan 2010)
- 38 months to recover all lost jobs (Jan 2010 – Mar 2013)

COVID Recession:

- 376,000 jobs lost over 3 months (Jan 2020 – April 2020)
- CO has recovered 85.6% of jobs lost as of November 2021 (#17); U.S. recovered 83.1%
- Expect CO to recover all jobs lost by Sep 2022 (29 months)

Employment Recovery Varies Across the State's 7 MSAs (covering 17 counties)

Nonfarm Job Growth Rates by Metro Area, Jan-Nov 2020 vs. Jan-Nov 2021



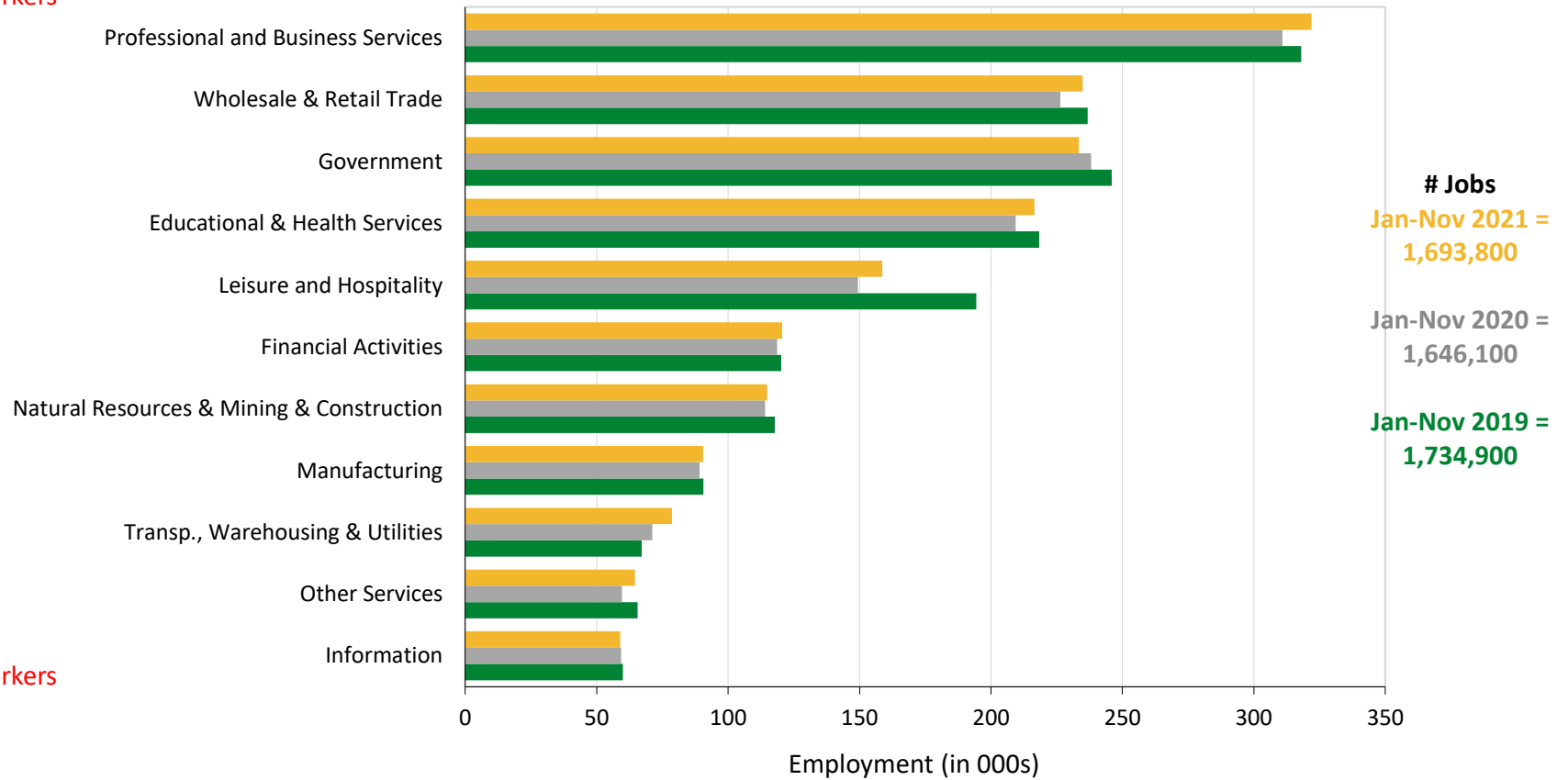
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics.

Metro Denver Employment by Supersector

Largest: 322,000 workers



Smallest: 59,000 workers



Jefferson County Employment by Supersector (4 out of 13 > 2019 Employment)

Largest: 43,600 workers

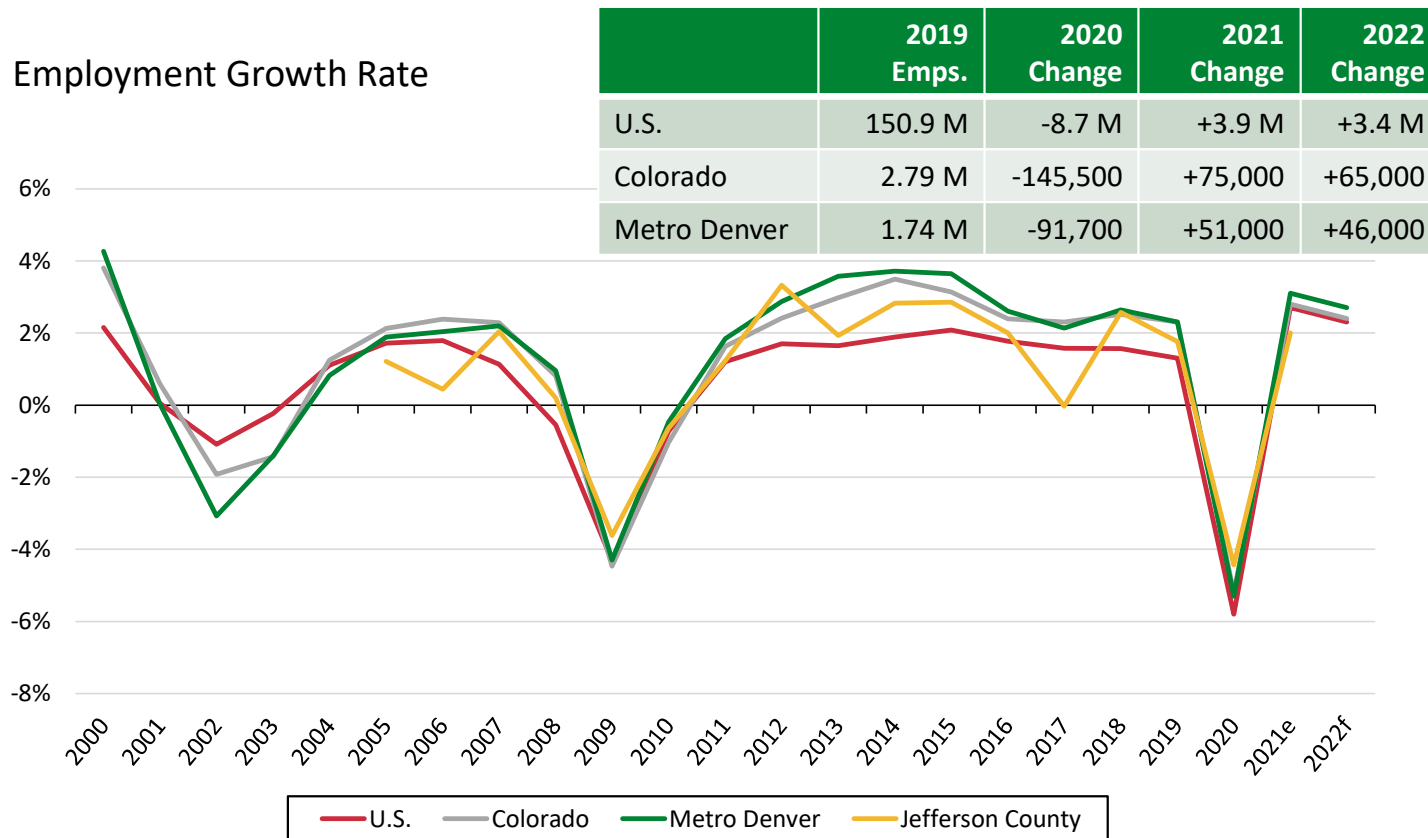
Smallest: 1,000 workers



Jobs
 2Q 2021 = 236,300
 2Q 2020 = 220,800
 2Q 2019 = 243,700

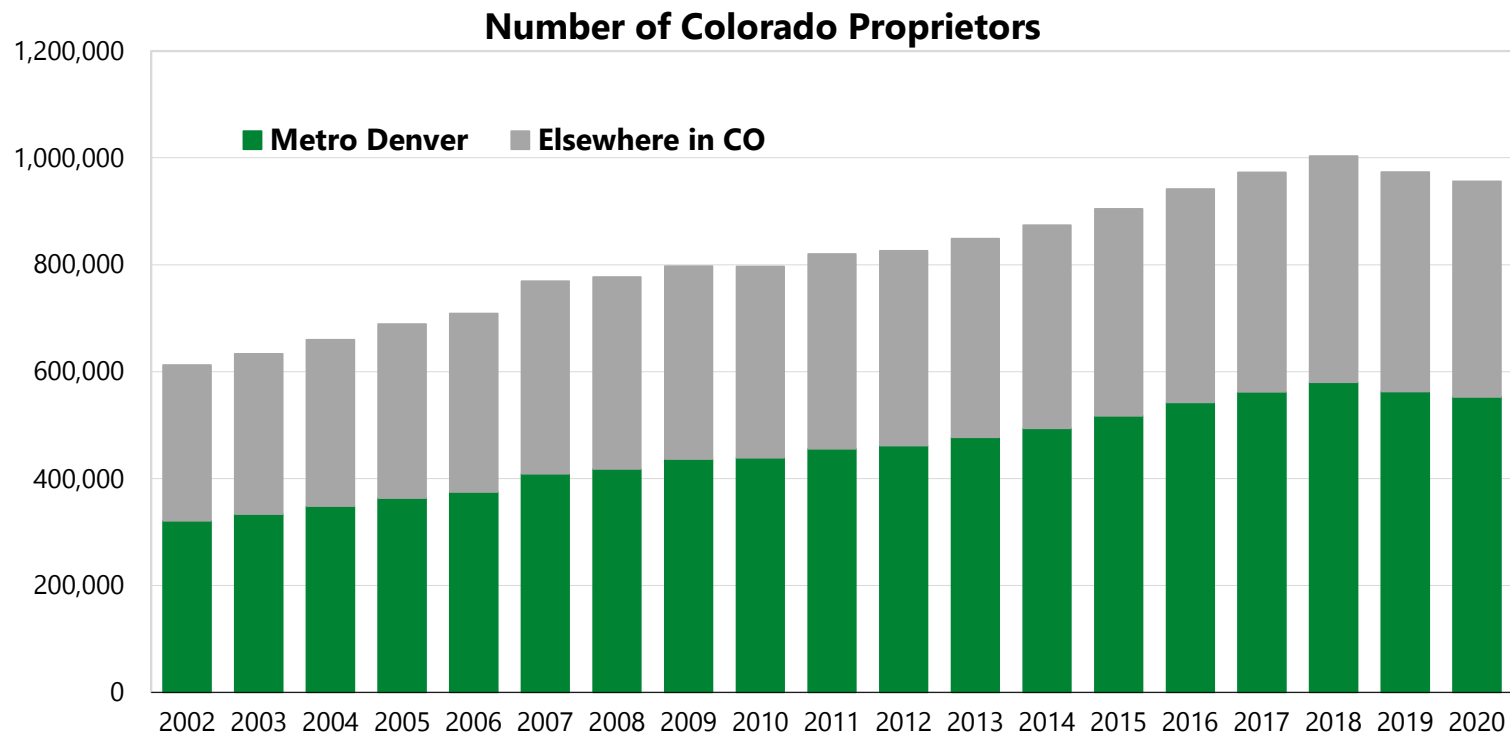
Source: Colorado Department of Labor & Employment, QCEW.

Employment Growth Continues in 2022 at a Slower Pace



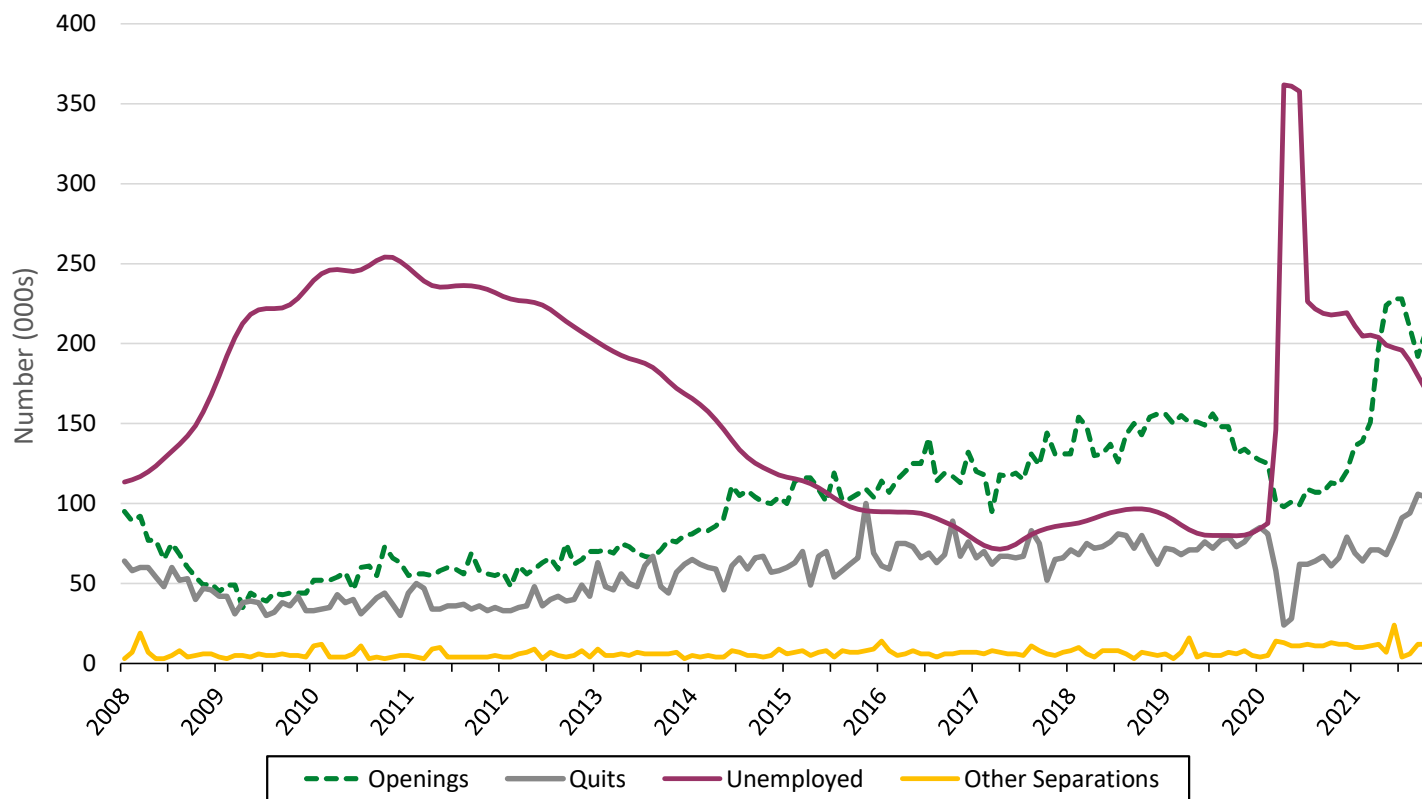
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics.
2021e=DRP Estimate. 2022f=DRP Forecast.

Proprietors Are 25.6% Of CO Employment, #5 Highest in U.S. (U.S. Average = 22.8%)



Source: U.S. Bureau of Economic Analysis.

Colorado Job Openings at Historic Highs; Openings Greater than the Number Unemployed



Source: U.S. Bureau of Labor Statistics, Job Openings & Labor Turnover Survey (Colorado).
Other Separations = Retirement, death, disability, and transfers.

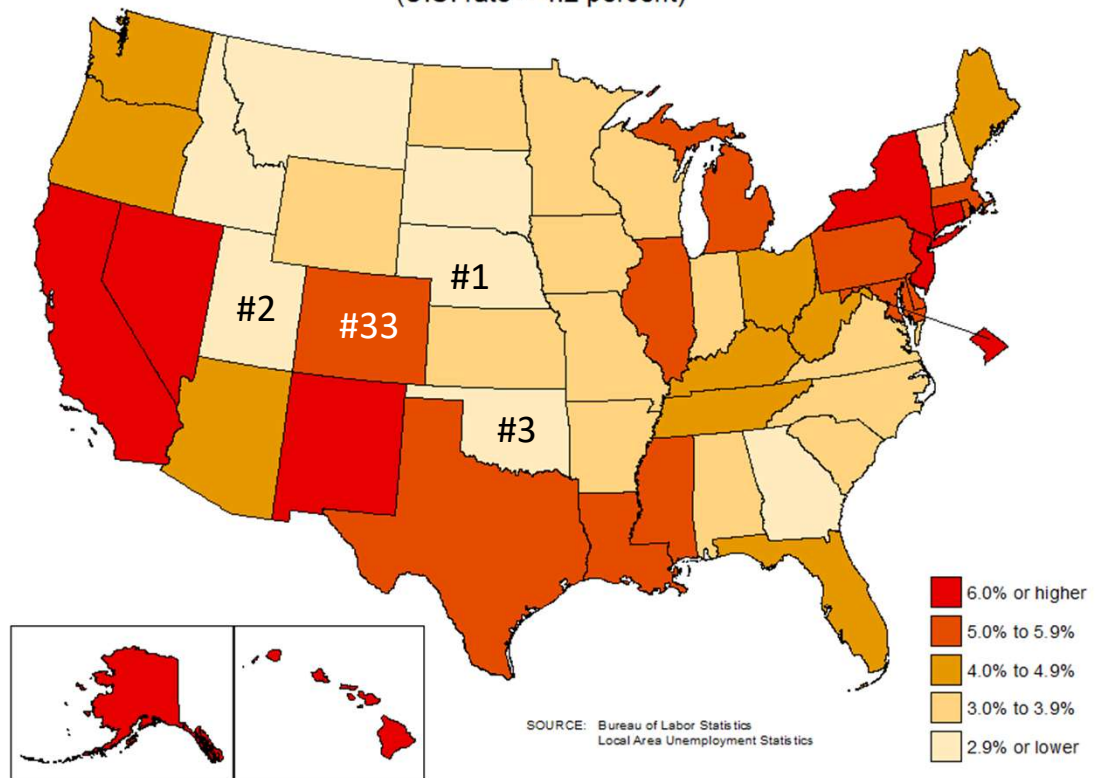
Colorado's Unemployment Rate of 5.1% is 33rd Lowest in U.S. (or 15th Highest)

Unemployment rates by state, seasonally adjusted, November 2021

(U.S. rate = 4.2 percent)

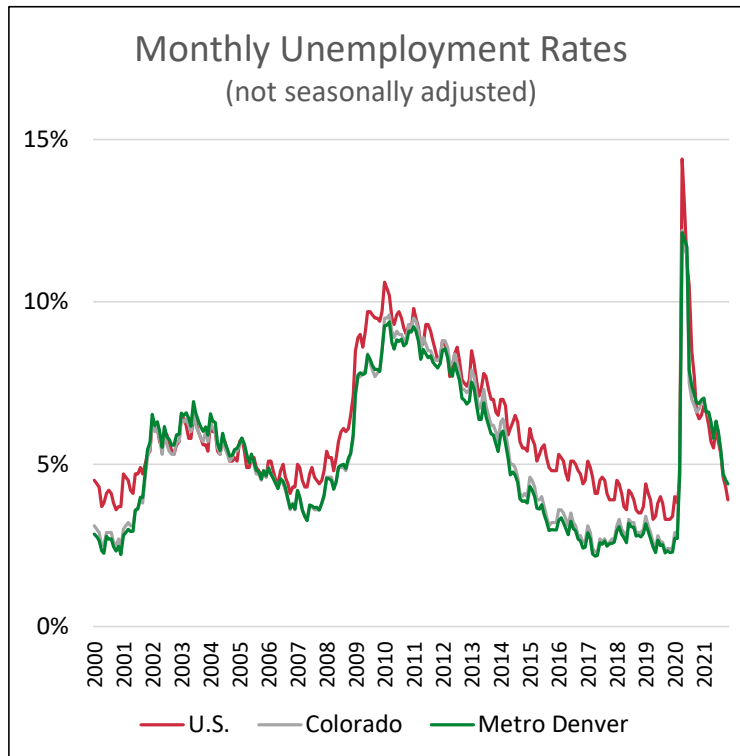
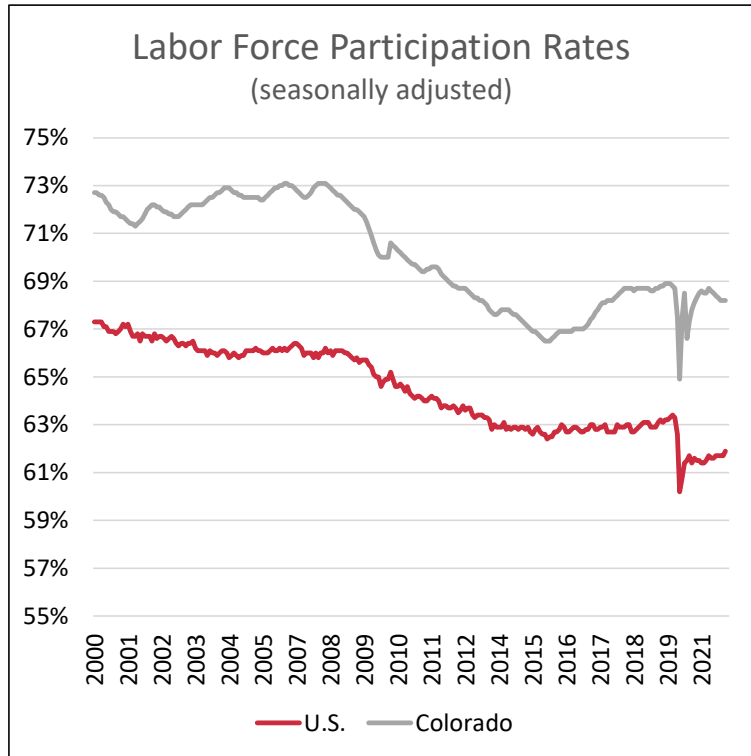
Unemployment Rate Range

1.8% NE
to
6.9% in CA



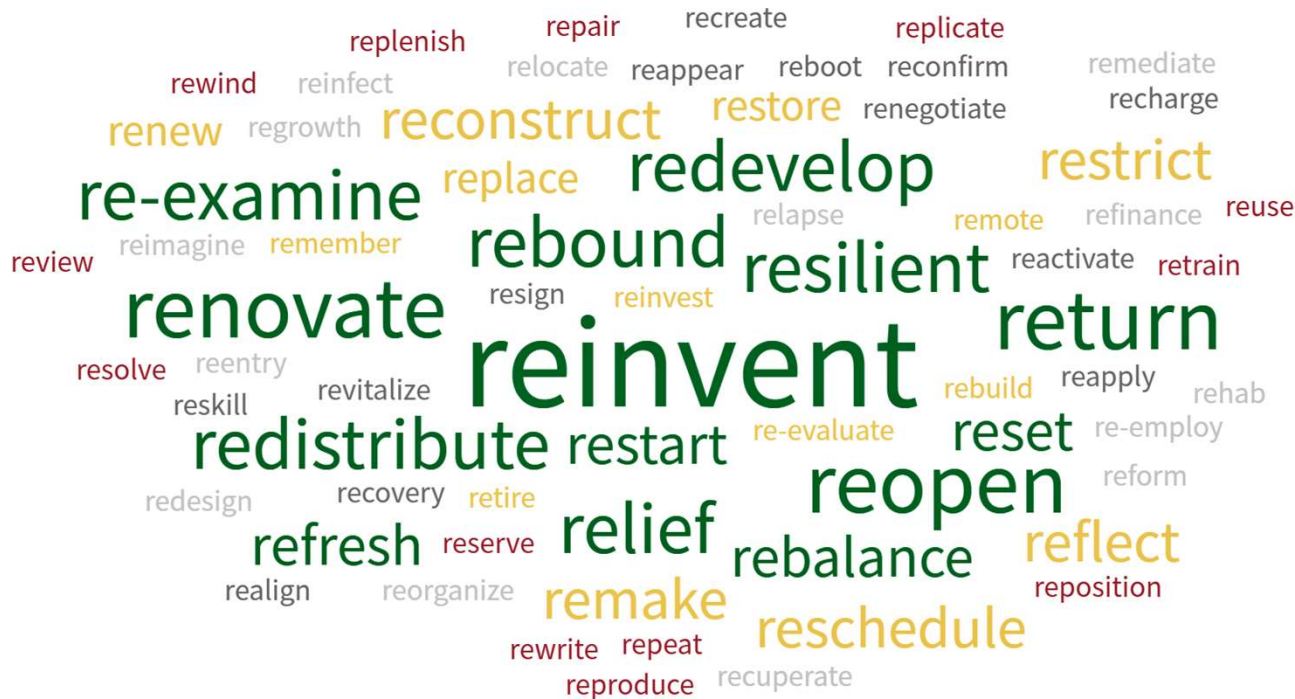
Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics.

CO Labor Force Participation Ranks 4th Highest, Unemployment Still Higher than Desired



Sources: U.S. Bureau of Labor Statistics, Current Population Survey and Local Area Unemployment Statistics.

Commercial Real Estate



- Vacancy Rates
- Sublet Space
- Lease Rates
- Construction Activity

Metro Denver Office Market Shifts Due to Remote Work



4Q 2021
 Total Space =
 200 MSF

Vacancy Rate =
 12.5%

Lease Rate =
 \$29.47/sq. ft.

YOY Change
 Lease = +2.0%

Under
 Construction =
 1.78 MSF

Completions =
 2.14 MSF

Source: CoStar Group, Inc.
 2022f=DRP Forecast.

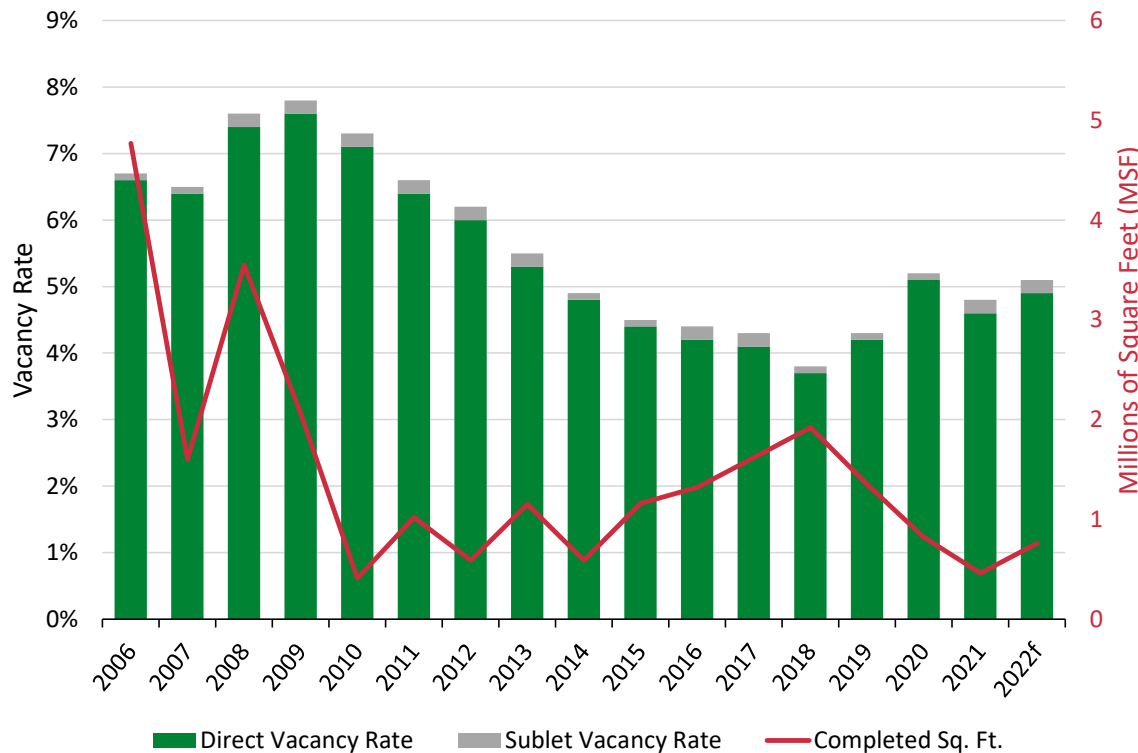
Industrial Space Completed in Metro Denver Reaches New Heights



4Q 2021
 Total Space = 239.7 MSF
 Vacancy Rate = 5.0%
 Lease Rate = \$9.31 NNN
 YOY Change Lease = +7.1%
 Under Construction = 11.38 MSF
 Completions = 5.49 MSF

Source: CoStar Group, Inc.
 2022f=DRP Forecast.

Metro Denver Retail Market Surprisingly Stable Despite Severe COVID Challenges



4Q 2021
 Total Space =
 174.7 MSF

Vacancy Rate =
 4.6%

Lease Rate =
 \$19.27 NNN

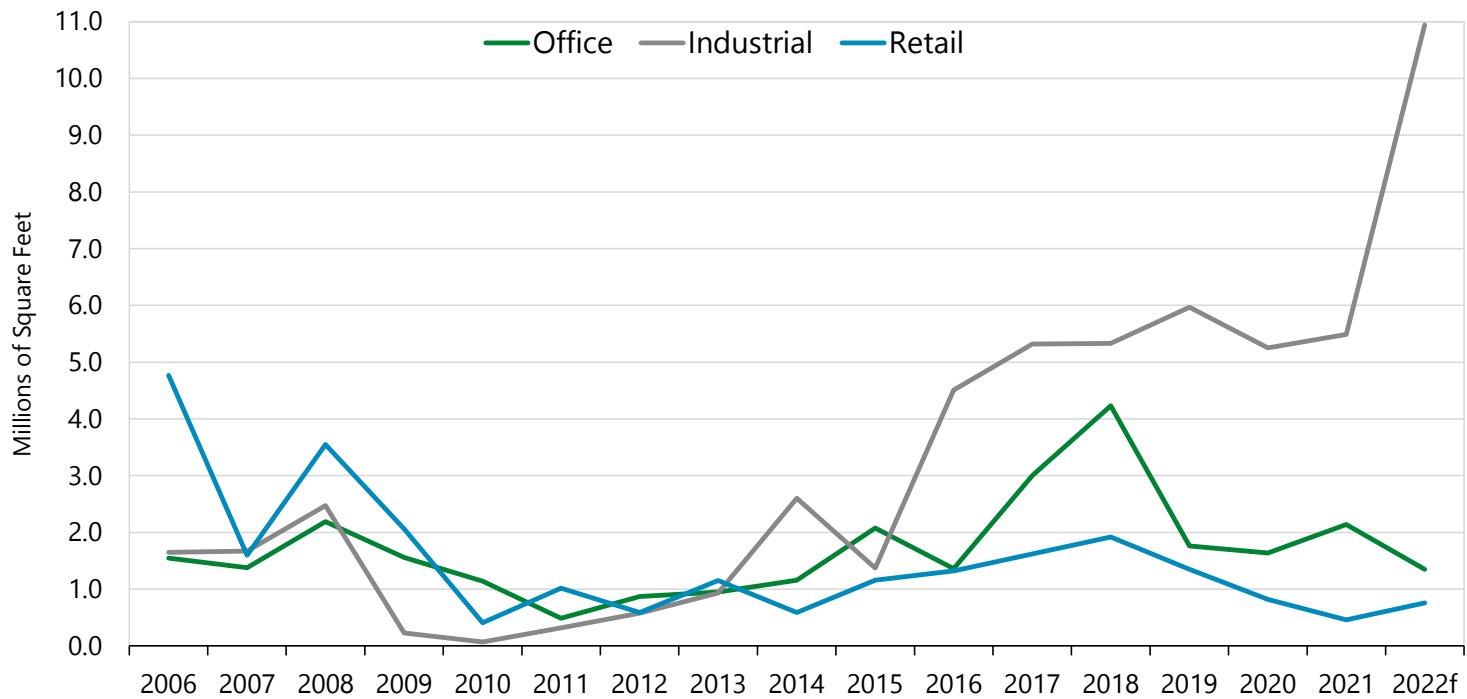
YOY Change
 Lease = +2.4%

Under
 Construction =
 0.78 MSF

Completions =
 0.46 MSF

Source: CoStar Group, Inc.
 2022f=DRP Forecast

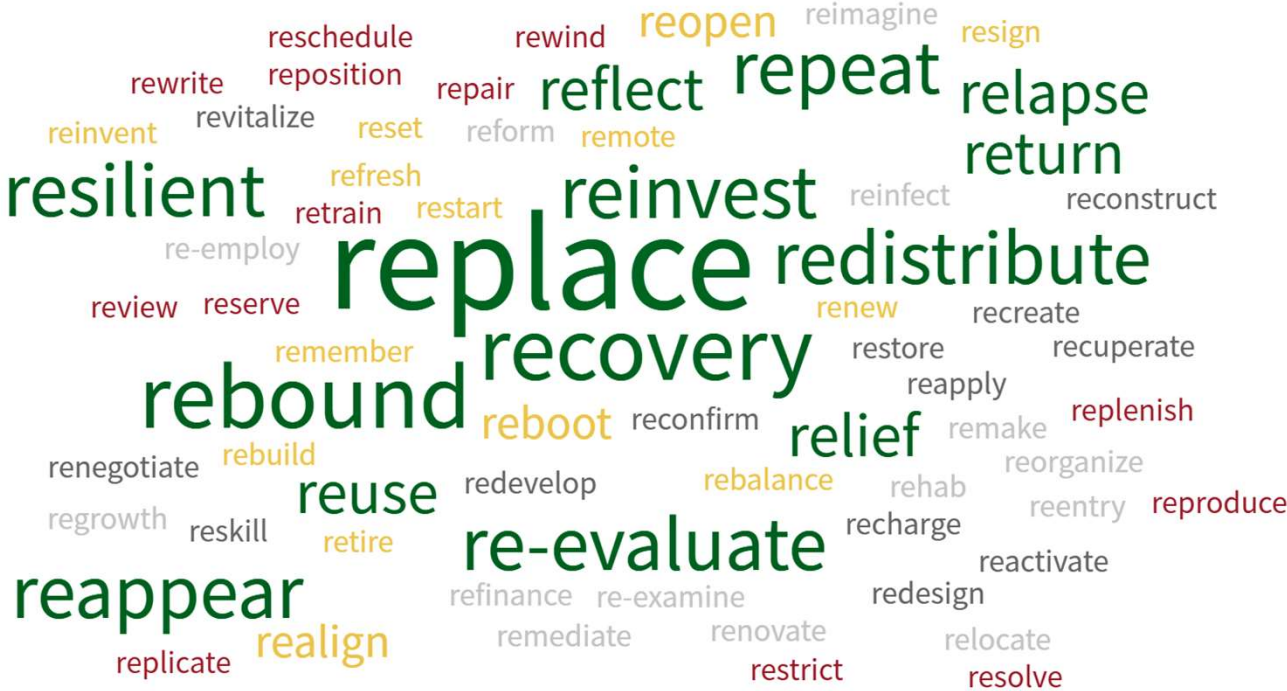
2022 Forecasted to be Record Year for Square Footage Completed in Metro Denver



Source: CoStar Group, Inc.
2022f=DRP Forecast.

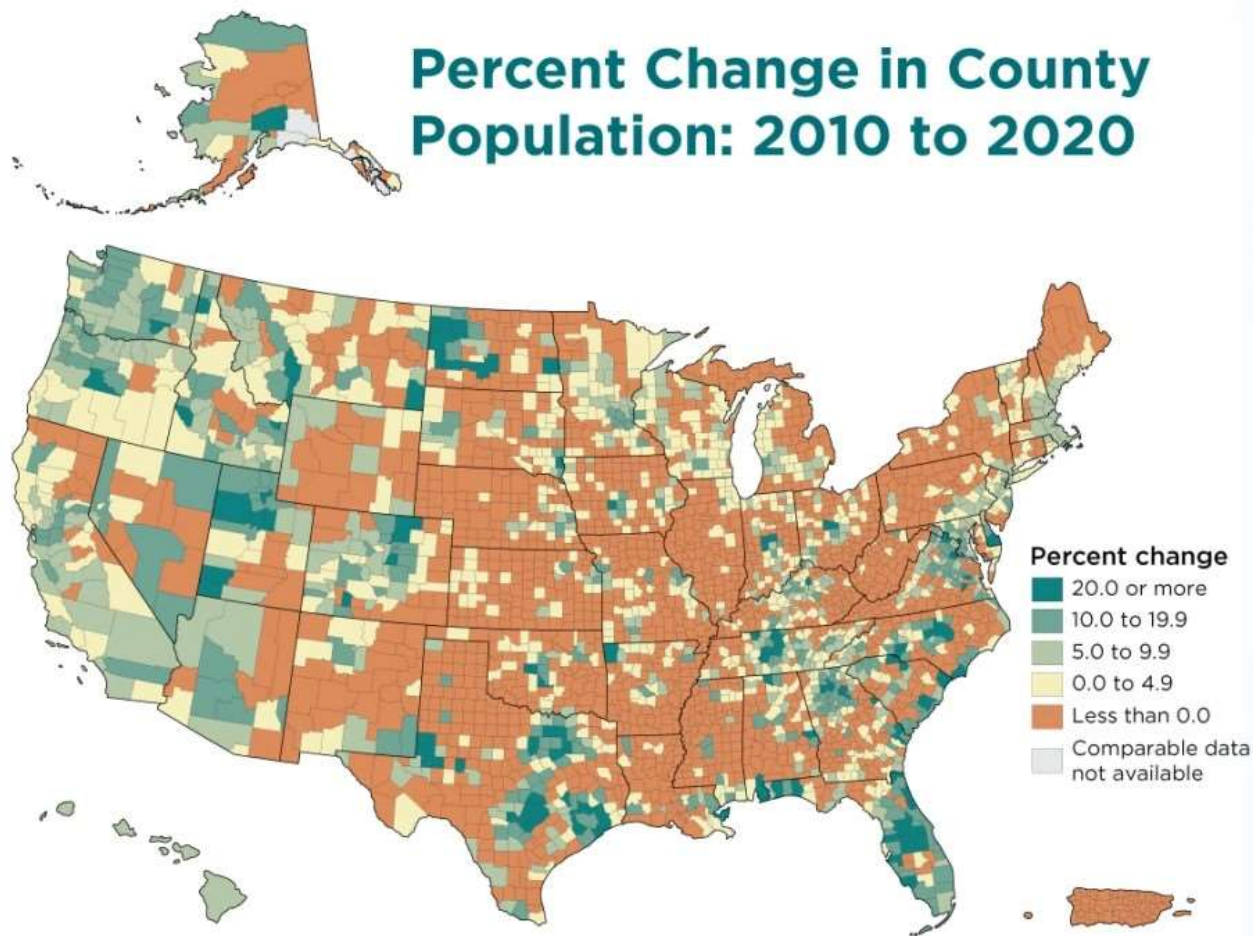
Demographics & Consumer Activity

- Population Growth
- Population by Age
- Spending Patterns by Category



Metro Denver One of the Faster Growing Areas in the Country from 2010 to 2020

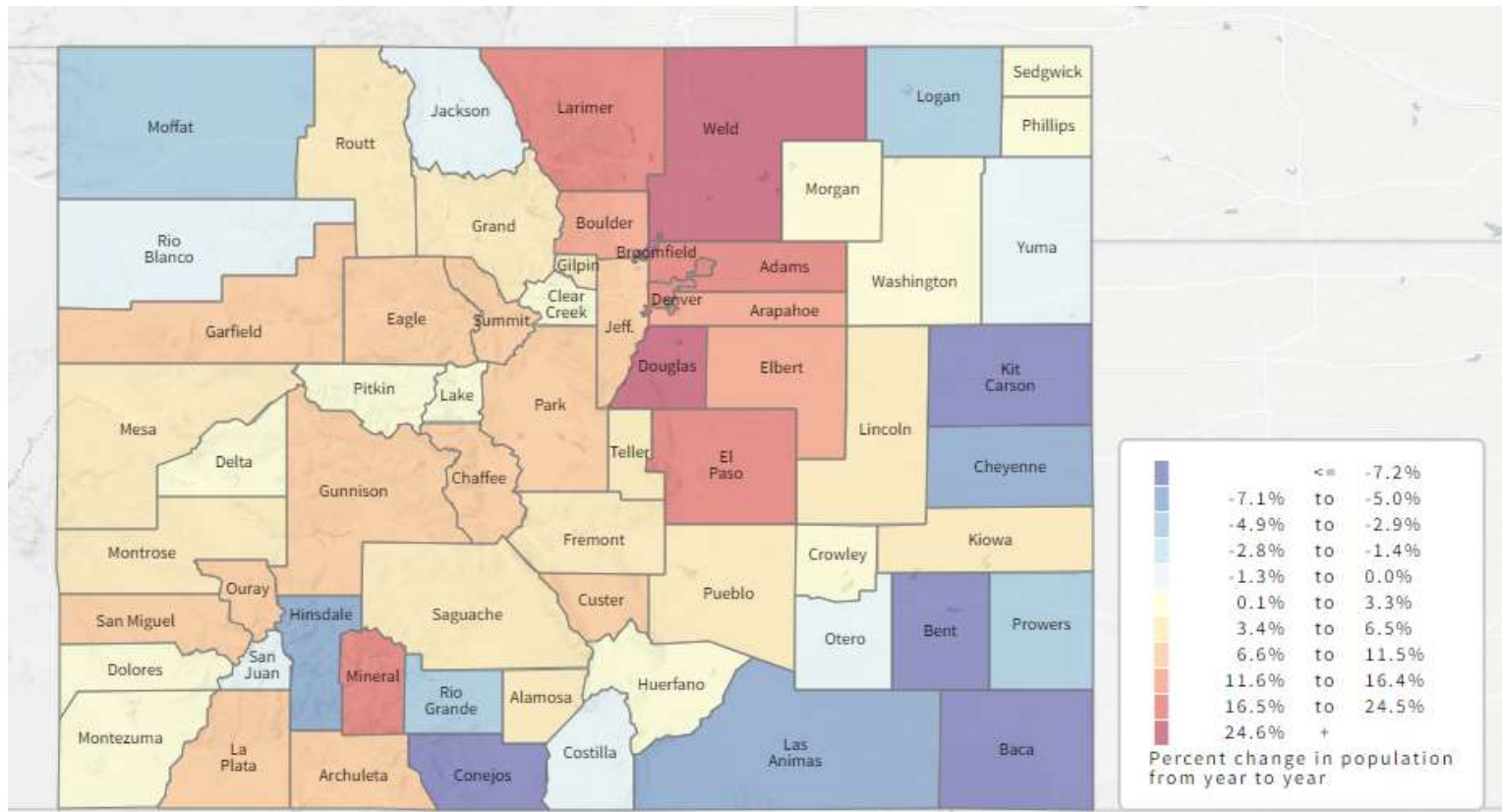
- Nation grew at slowest rate since 1930s (0.7% per year)
- 47% of nation's counties increased population
- 81% of U.S. metro areas increased population, but only 48% of micros grew
- CO increased 1.4% per year, 6th fastest growth
- Greeley MSA 4th fastest increase of all metros



Source: U.S. Census Bureau, 2020 Census Redistricting Data.

Colorado Population from 2010 to 2020 Increased by 732,600 Residents

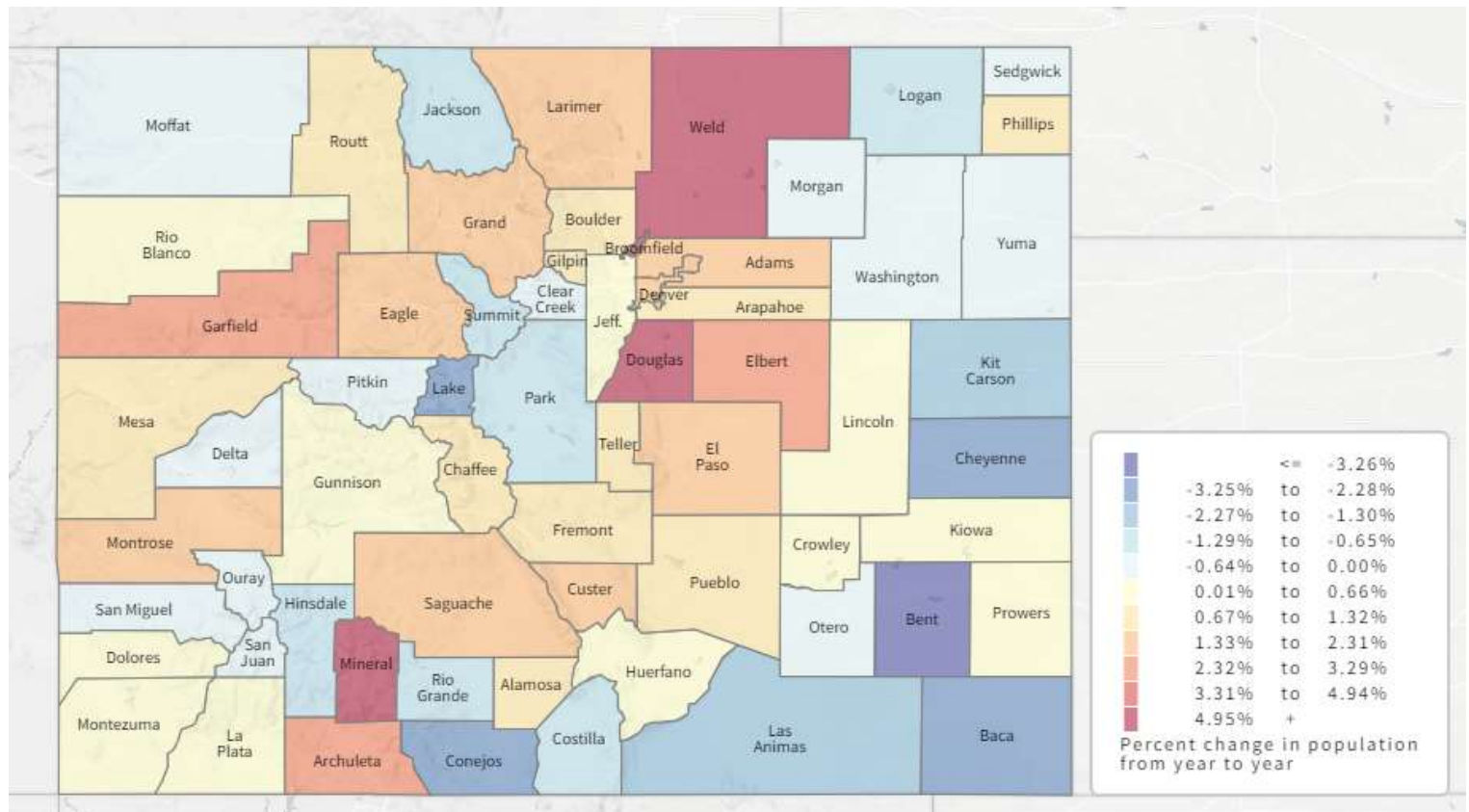
- State posted a 14.5% increase or 1.4% increase per year.
- 17 counties lost population.
- Weld County (+30%), Douglas County (+25%), Mineral County (+22%) increased at fastest pace.



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

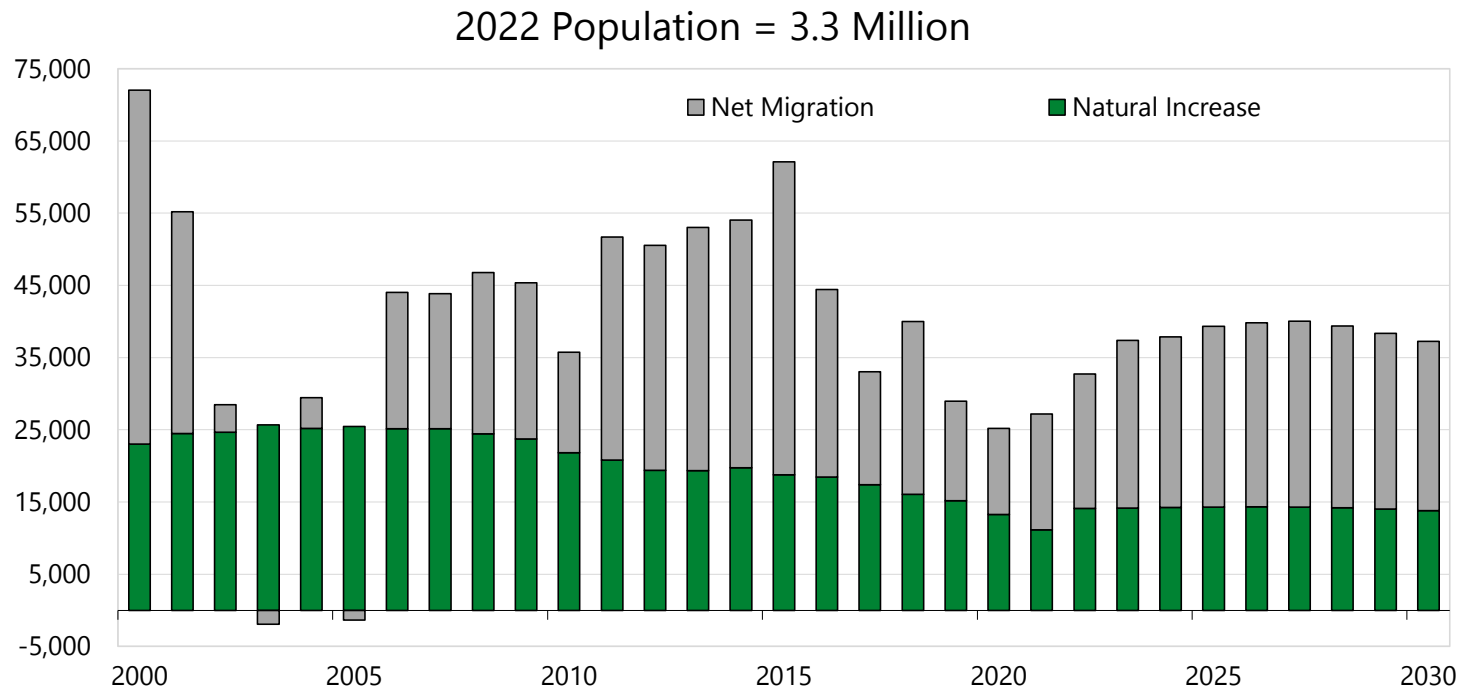
Colorado Population from 2019 to 2021 Increased by 96,200 Residents

- State posted a 1.7% increase or 0.8% increase per year.
- 26 counties lost population.
- Mineral County (6.6%), Weld County (+5.5%), and Douglas County (+5%) increased at fastest pace.



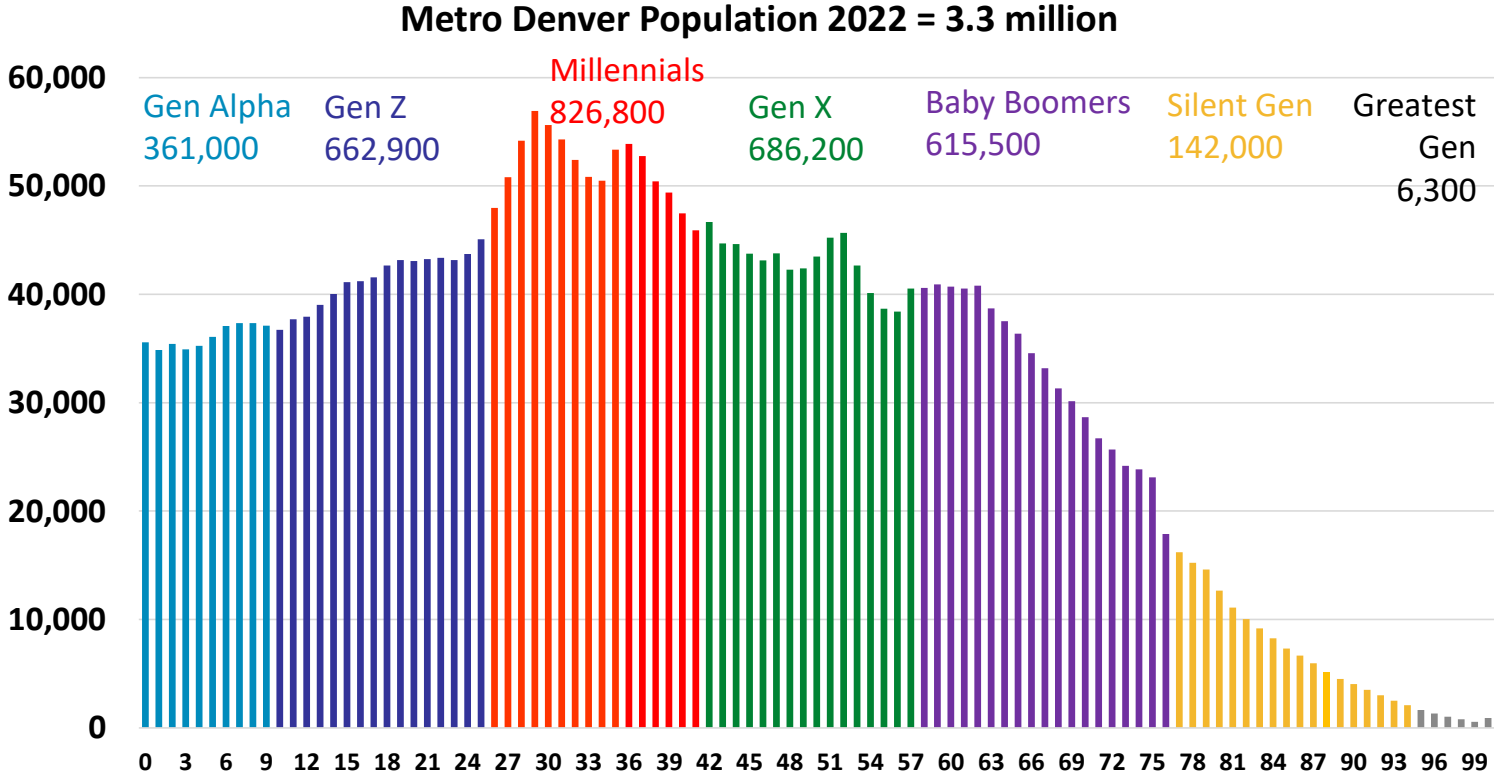
Source: Colorado Division of Local Government, State Demography Office.

Metro Denver Annual Change in Population



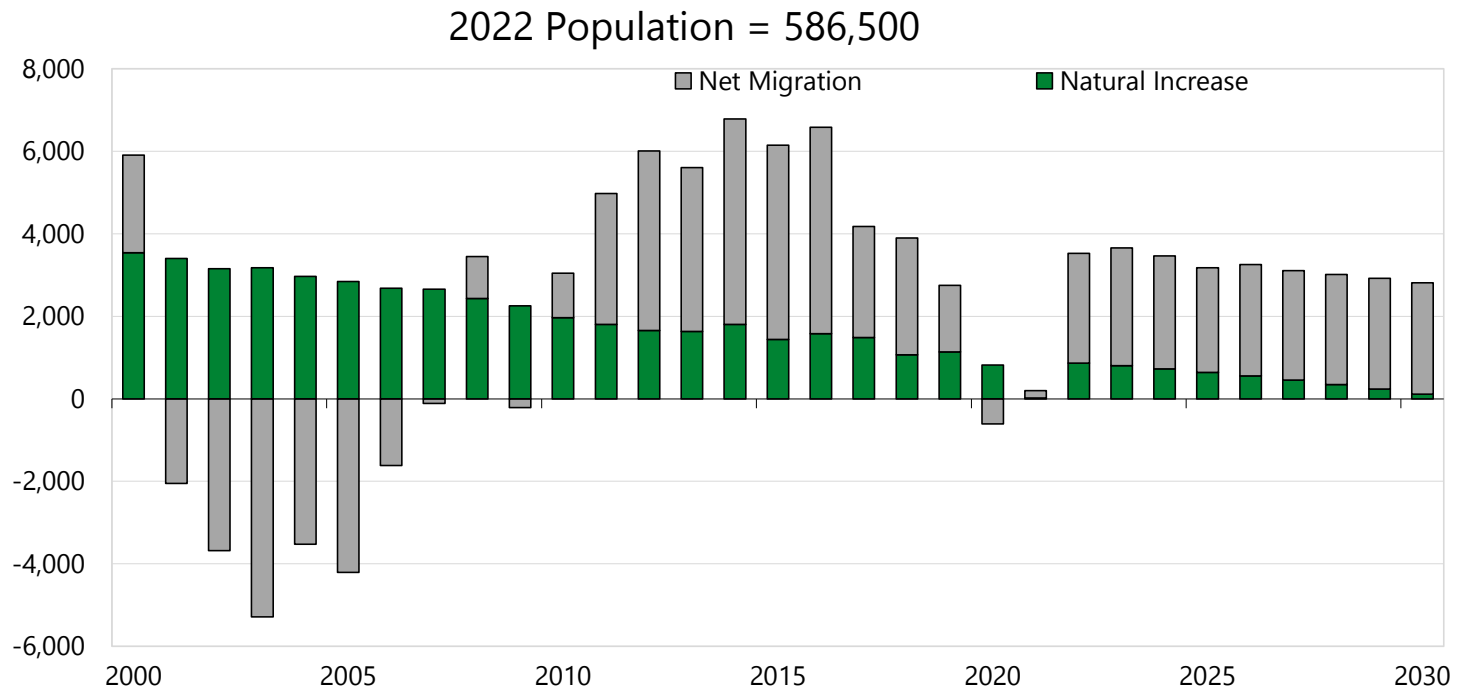
Source: Colorado Division of Local Government, State Demography Office.

Millennials Largest Population Group; Gen Z Most Diverse (so far)



Source: Colorado Division of Local Government, State Demography Office.
Generational groups defined by Pew Research Center, January 2019.

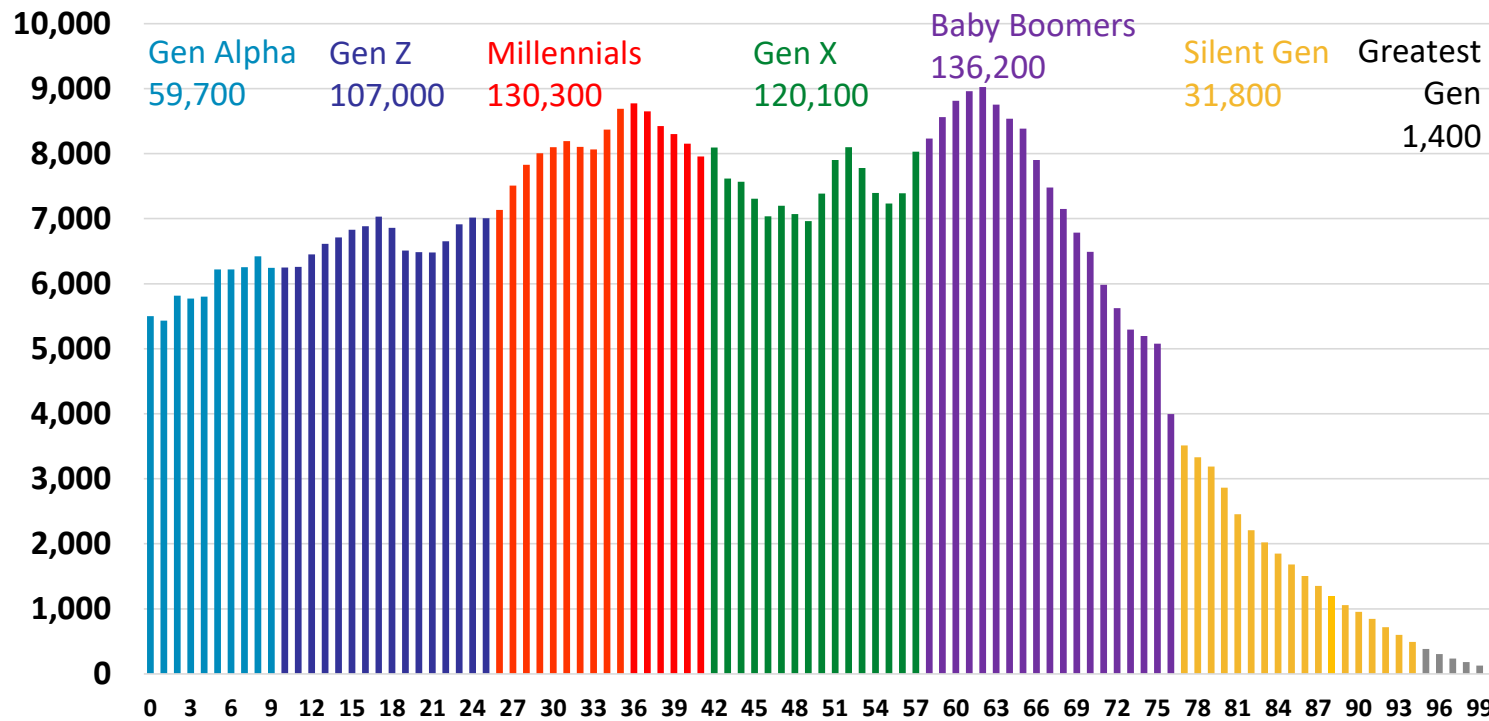
Jefferson County Annual Change in Population



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

Baby Boomers Population Larger than Millennials in Jefferson County

Jefferson County Population 2022 = 586,500



Source: Colorado Division of Local Government, State Demography Office.
Generational groups defined by Pew Research Center, January 2019.

Metro Denver Consumer Spending Patterns Shifted Dramatically With Recovery

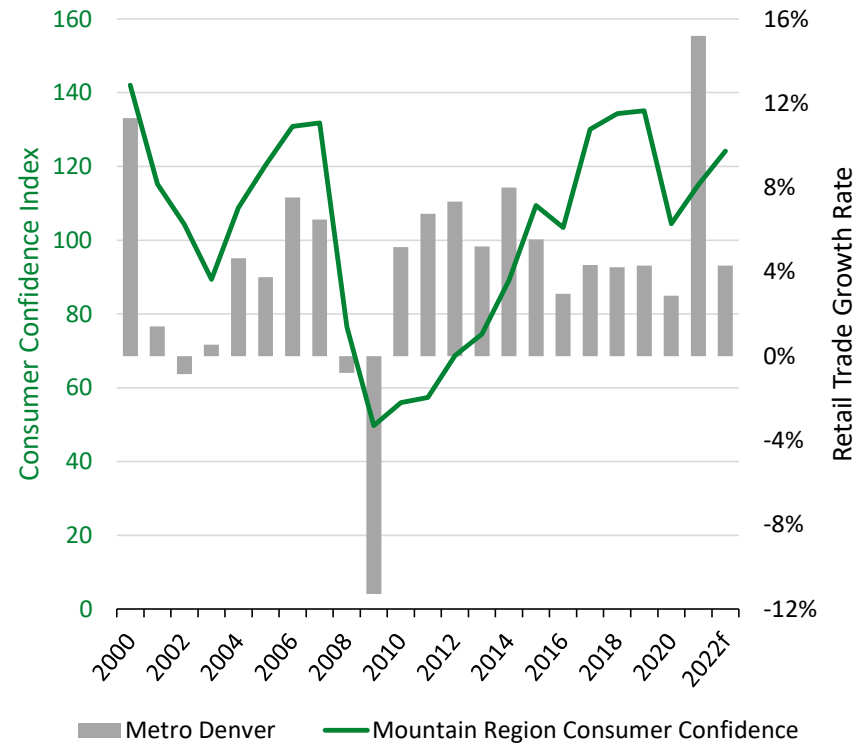


Source: Colorado Department of Revenue.

Consumer Confidence and Retail Trade Spending Increase in 2022 at Slower Pace

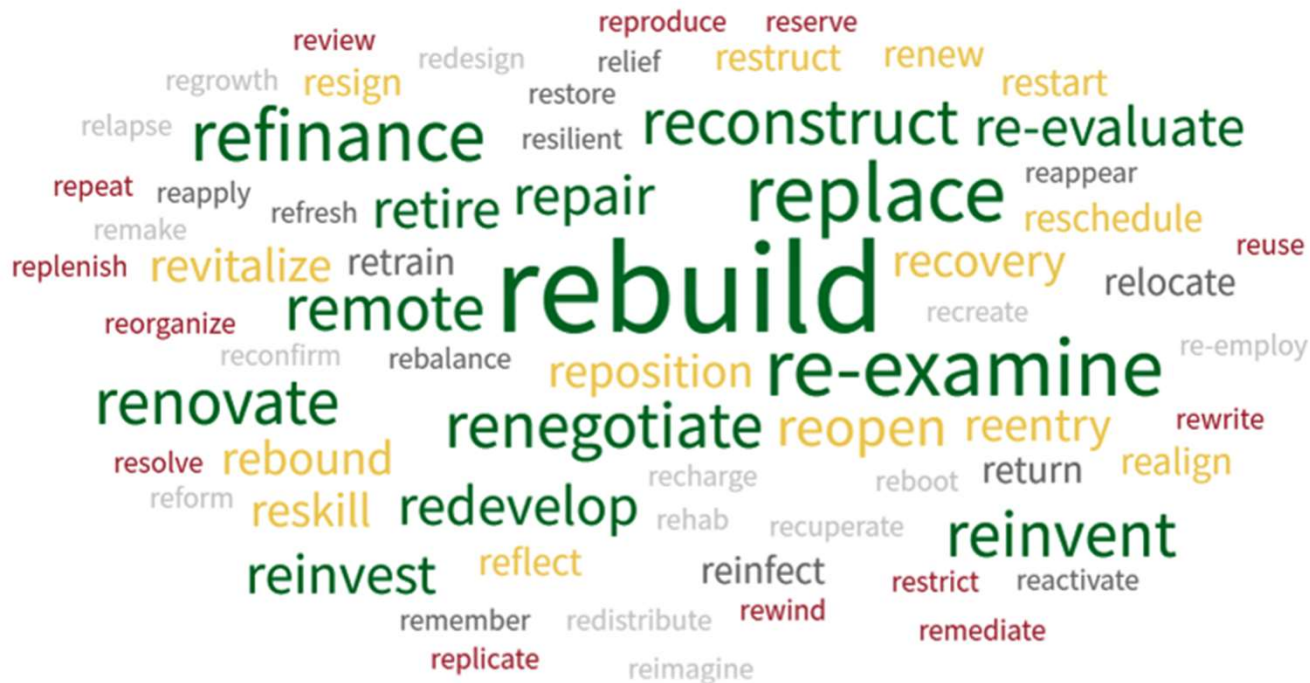
Change in Retail Trade Spending

	2019	2020	Jan-Oct 2021
Metro Denver	4.3%	2.9%	16.4%
Adams	2.9%	5.2%	16.9%
Arapahoe	7.3%	0.9%	15.3%
Boulder	3.8%	3.4%	13.4%
Denver	4.6%	-2.6%	17.4%
Douglas	3.1%	7.7%	23.7%
Jefferson	2.4%	7.4%	13.4%
Colorado	4.7%	4.9%	17.5%
U.S.	3.3%	0.5%	19.6%



Sources: Colorado Department of Revenue; The Conference Board.
2021e=DRP Estimate. 2022f=DRP Forecast.

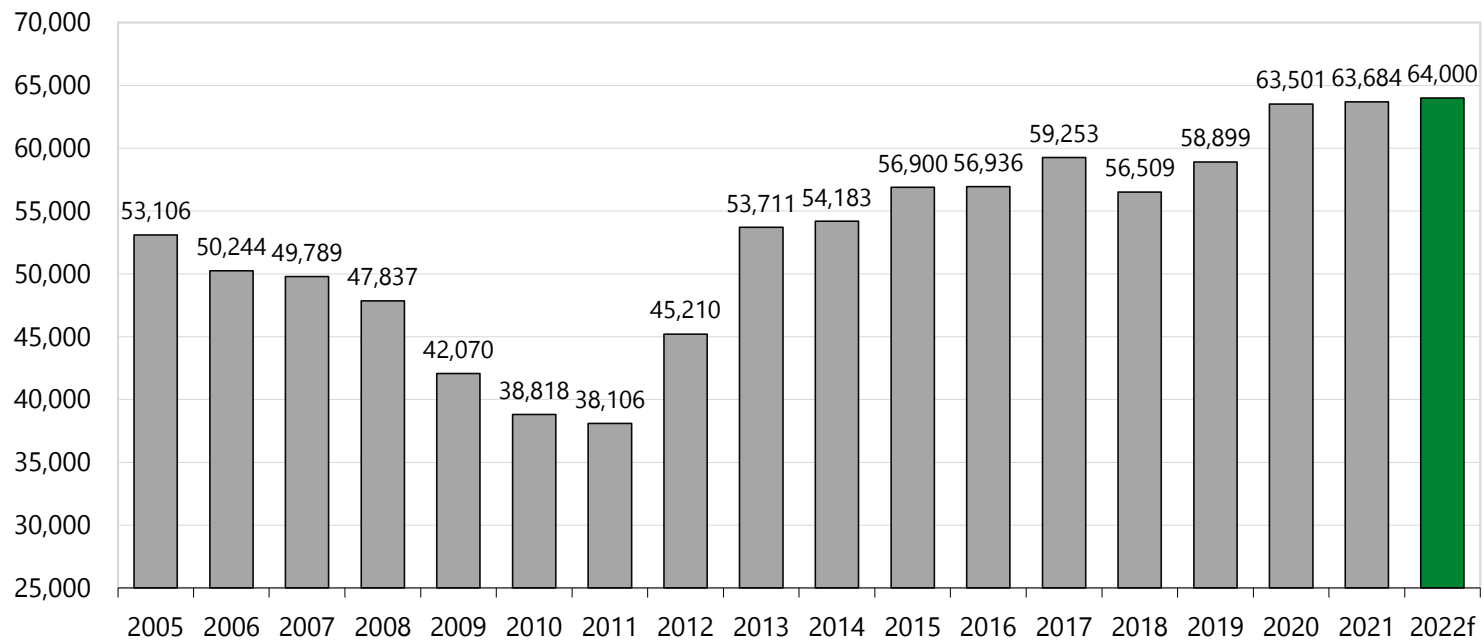
Residential Real Estate



- Home Prices
- Sales Activity
- Apartment Market
- New Construction

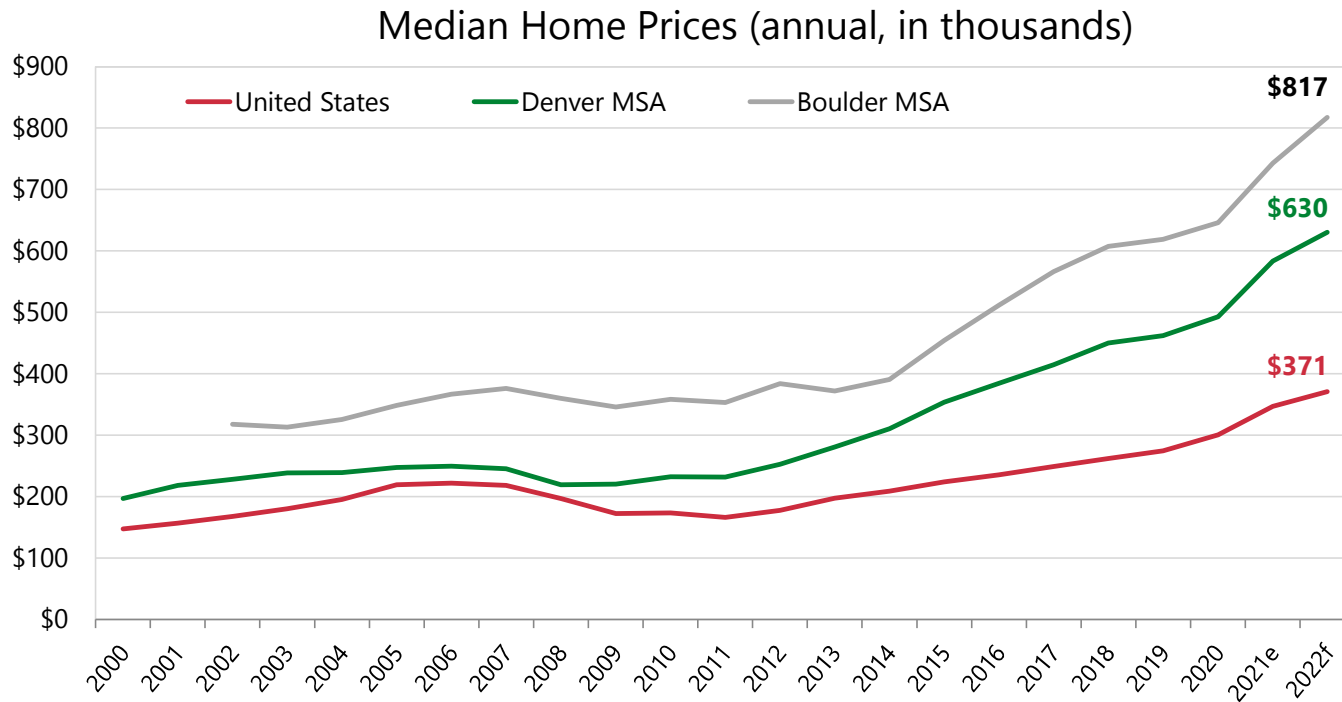
Low Interest Rates, Low Inventory Dominate the Sales Environment

Metro Denver Existing Home Sales Closed



Sources: Metrolist (2005-2010); Denver Metro Association of REALTORS (2011-2021).
2022f=DRP Forecast.

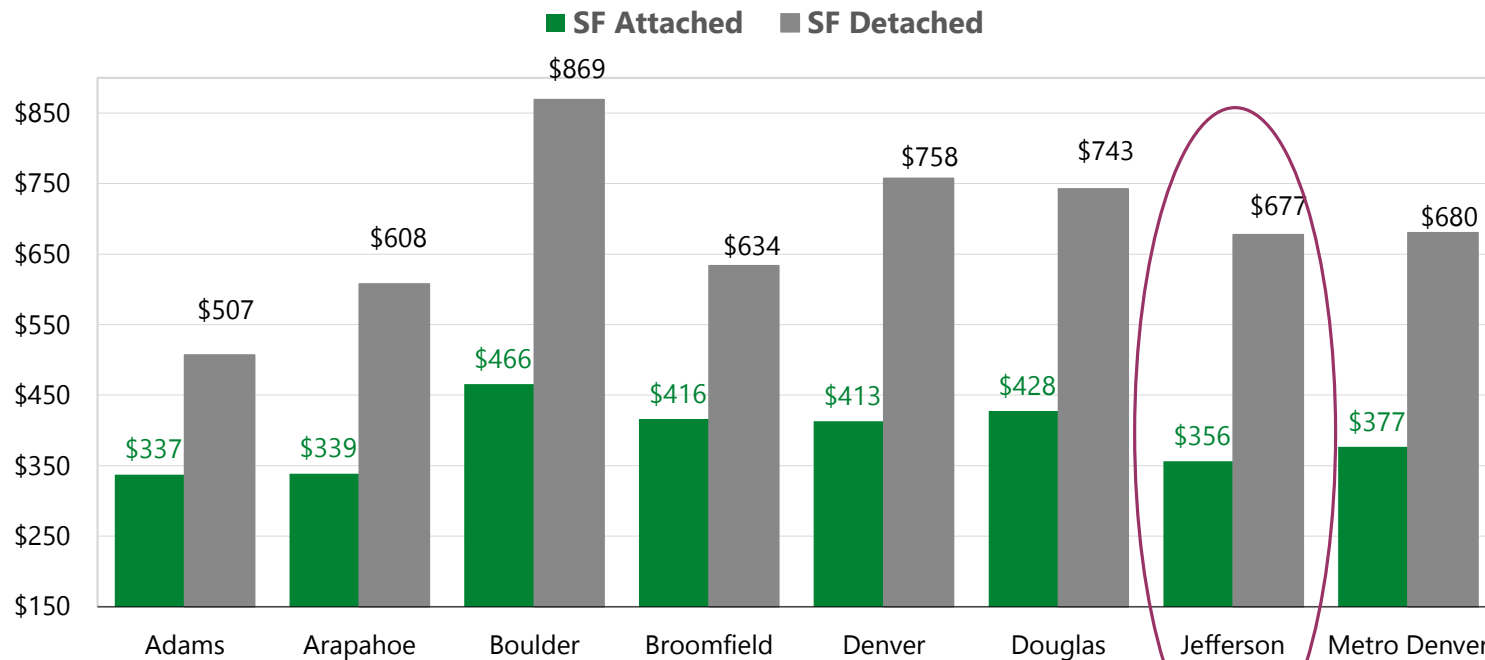
Denver MSA #14 and Boulder MSA #7 for Highest Median Home Price, 3Q 2021



Source: National Association of REALTORS.
2021e=DRP Estimate. 2022f=DRP Forecast.

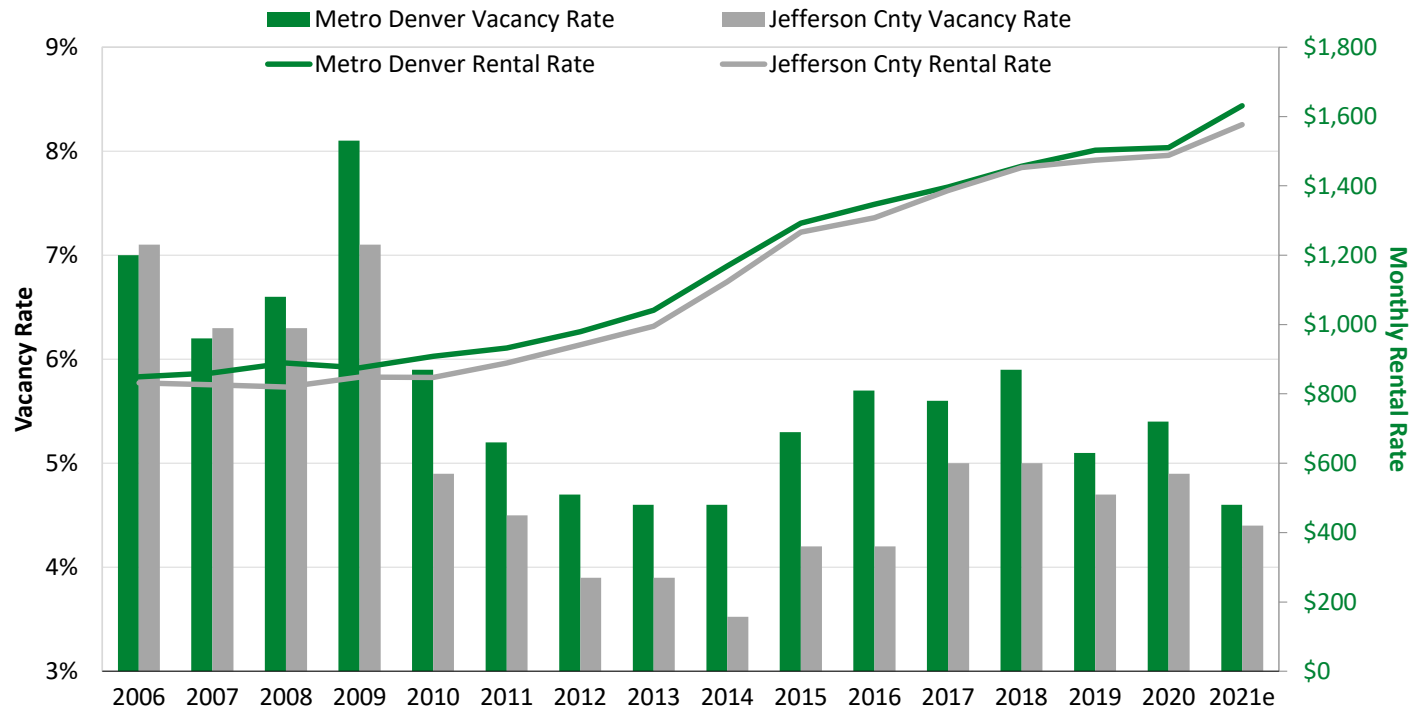
Jeffco SFD 3Q20-3Q21: +18.8% price; +3.2% sales Jeffco SFA 3Q20-3Q21 : +16.7% price; +2.1% sales

Average Home Prices by County, 3Q 2021 (\$000s)



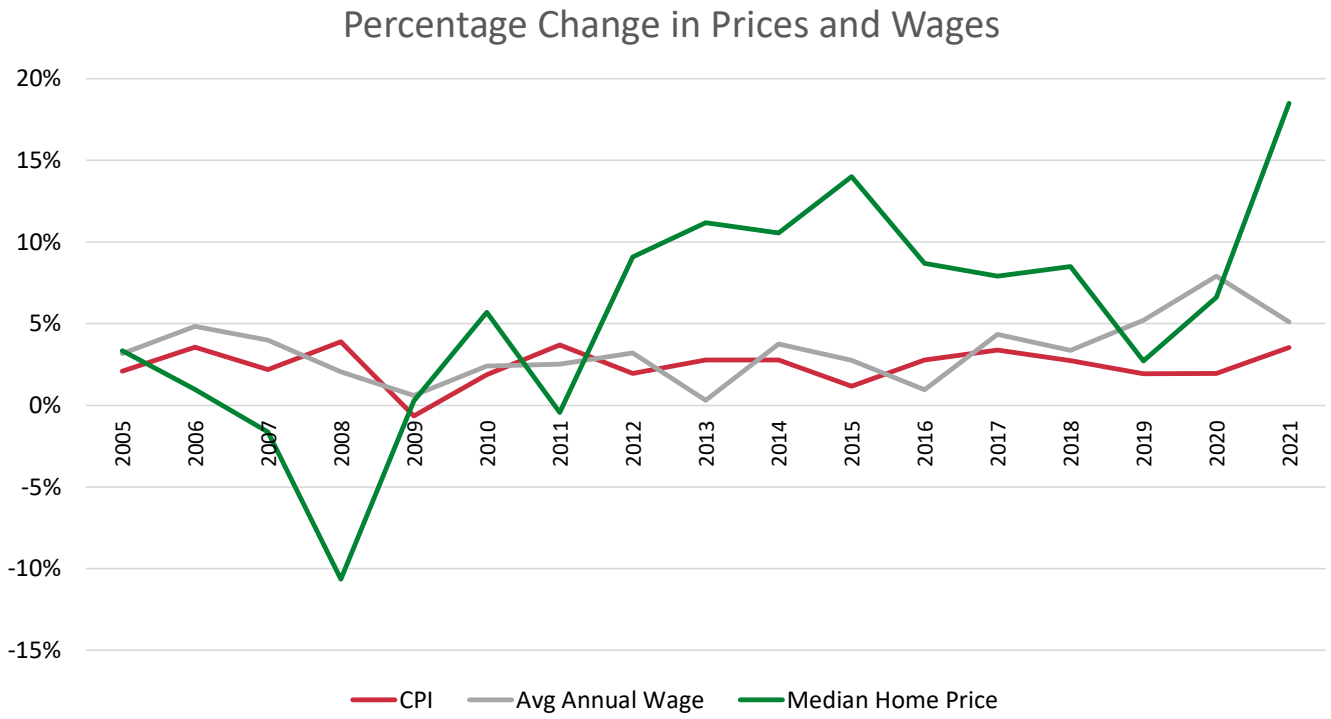
Source: Colorado Comps.

Apartment Vacancy and Rental Rates



Source: Denver Metro Apartment Vacancy & Rent Survey.

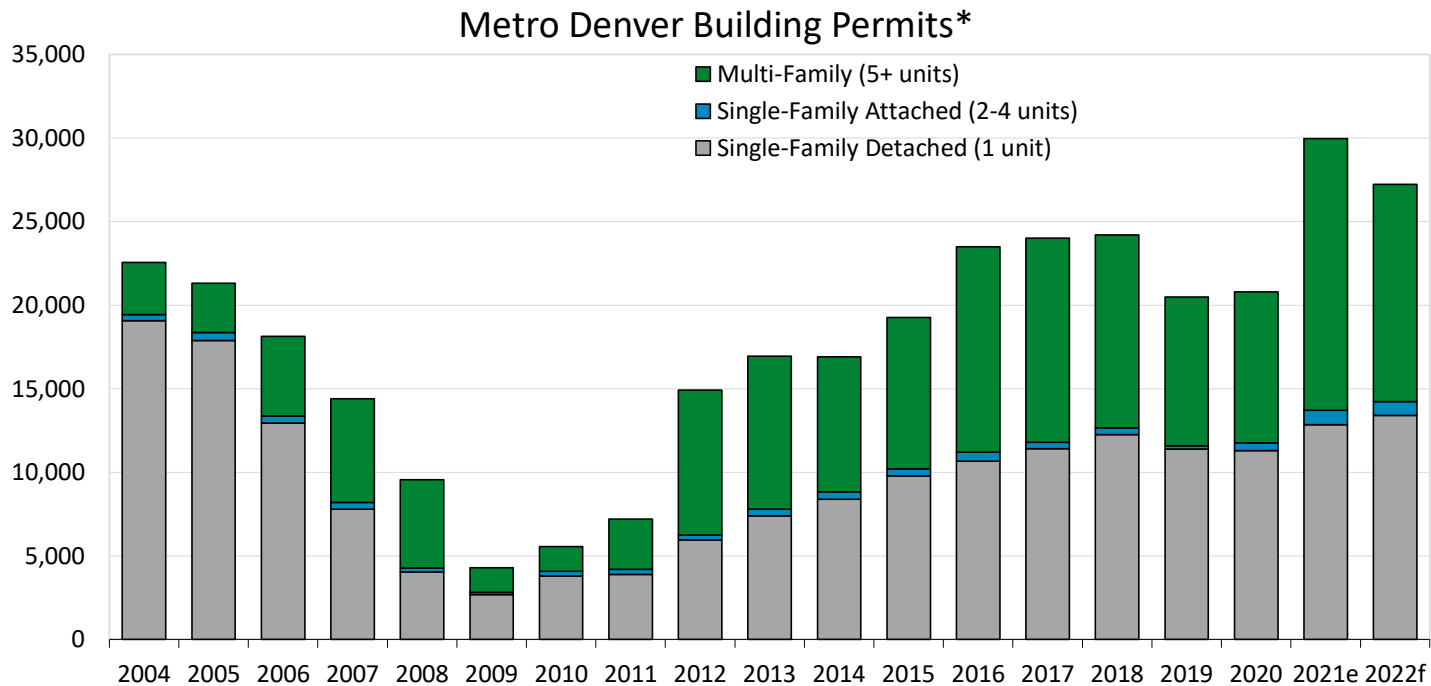
Metro Denver Wages Increasing Faster than Inflation, but Housing Costs Surpass Both



Sources: U.S. Bureau of Labor Statistics; National Association of REALTORS.
CPI = Consumer Price Index.



Number of Units Permitted in 2021 is Highest Since 1983; Pullback in 2022 Expected



* The Census Bureau tracks building permits by the number of housing units in the structure.
Source: U.S. Census Bureau, Building Permits.
2021e=DRP Estimate. 2022f=DRP Forecast.

Questions?

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