

# Winds of Change



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# Global Outlook



Courtesy of Portland State University

If one does not know to which port one is sailing, no wind is favorable.

- *Lucius Annaeus Seneca (Seneca the Younger)*

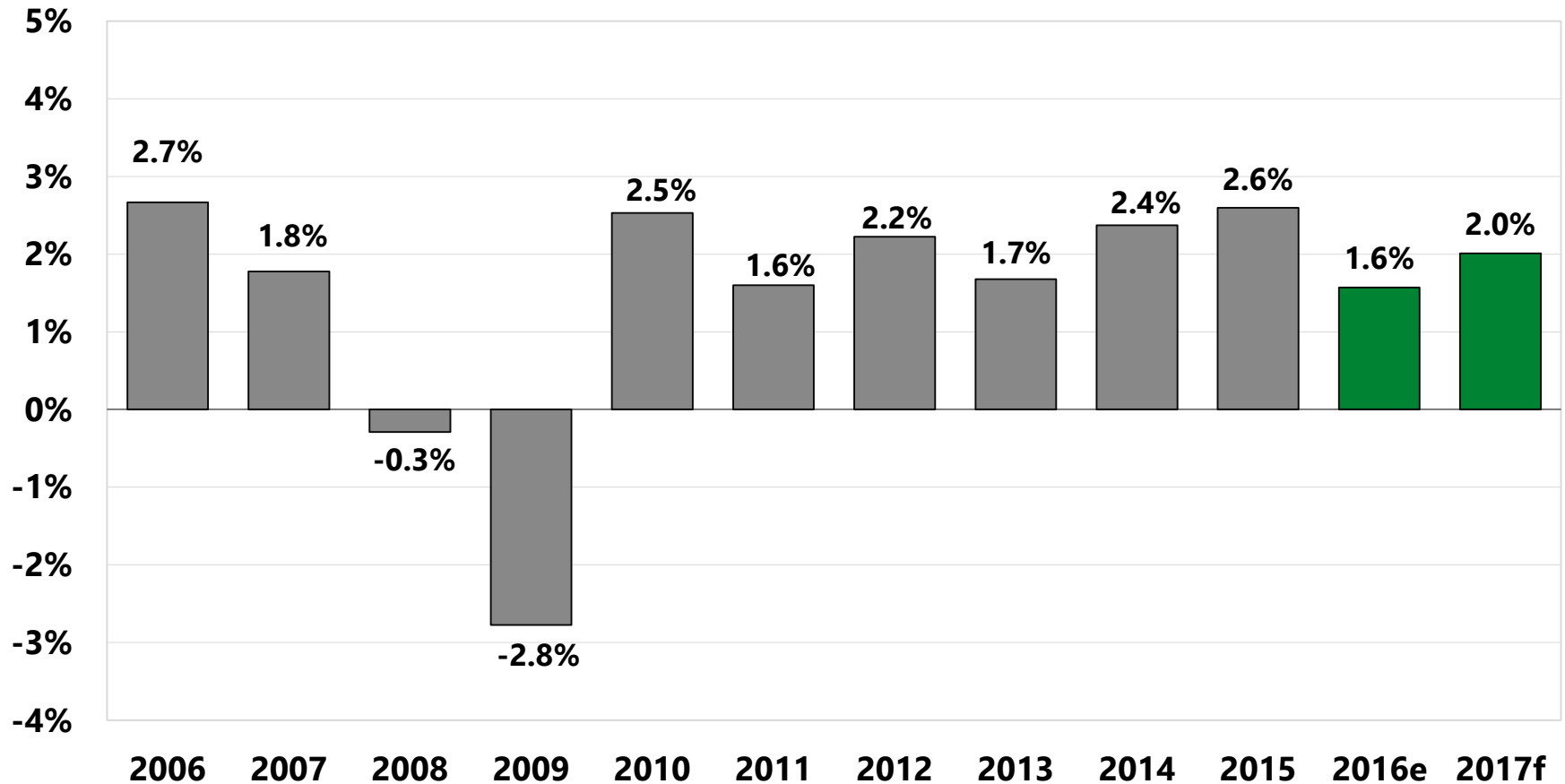
# Mixed Global Growth Prospects

## Year over Year Growth in Output

	2015	2016	2017
World	3.1%	3.1%	3.4%
United States	2.4%	2.2%	2.5%
Canada	1.1%	1.4%	2.1%
Mexico	2.5%	2.5%	2.6%
Euro Area	1.7%	1.6%	1.4%
China	6.9%	6.6%	6.2%
Japan	0.5%	0.3%	0.1%
United Kingdom	2.2%	1.7%	1.3%

Source: International Monetary Fund, World Economic Outlook Update.  
Red values January 2016. Black values July 2016.

# Real U.S. Gross Domestic Product Annual Average Growth Rates



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

# Employment



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The pessimist  
complains about the  
wind;

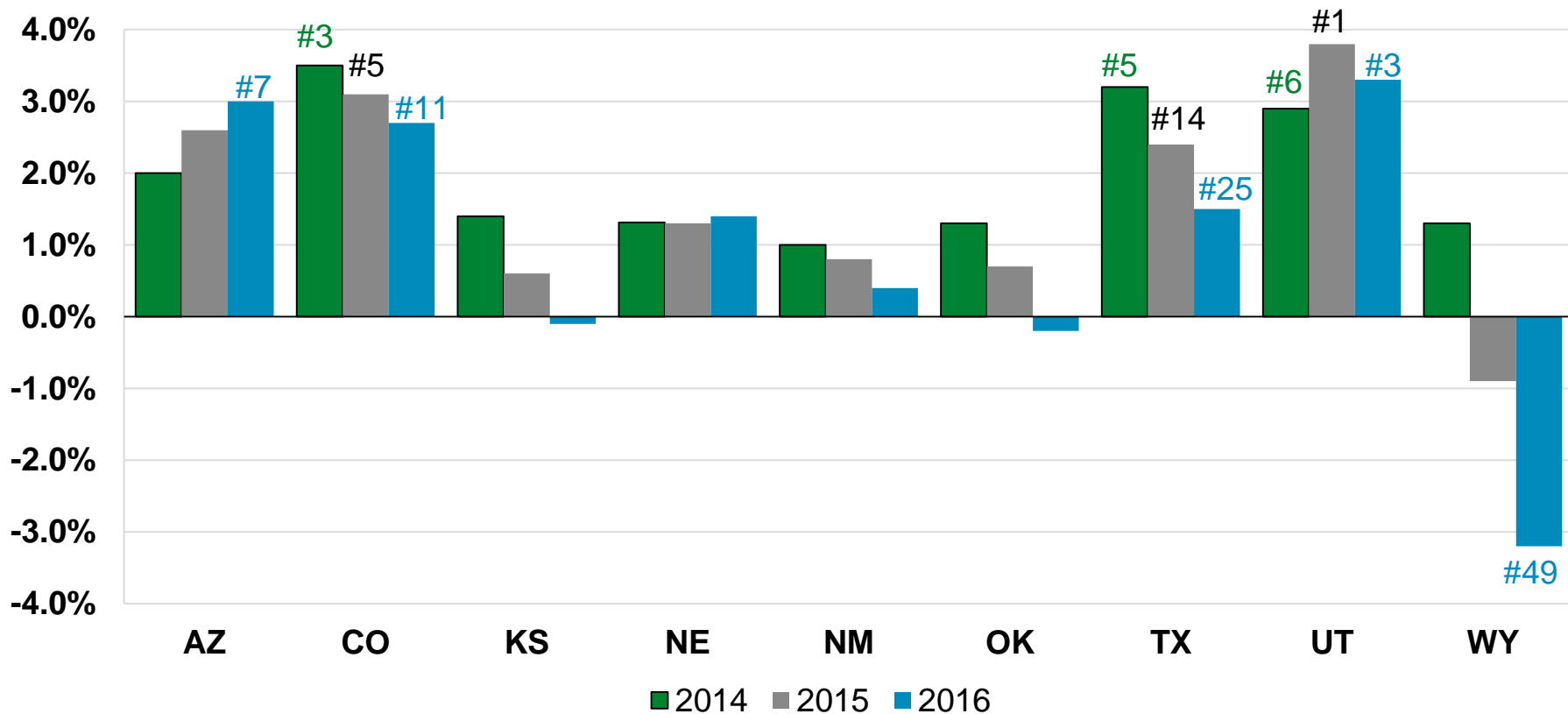
the optimist expects  
it to change;

the realist adjusts  
the sails.

- *William Arthur Ward*

# Colorado 5th fastest growing state in 2015; #11 through first half of 2016

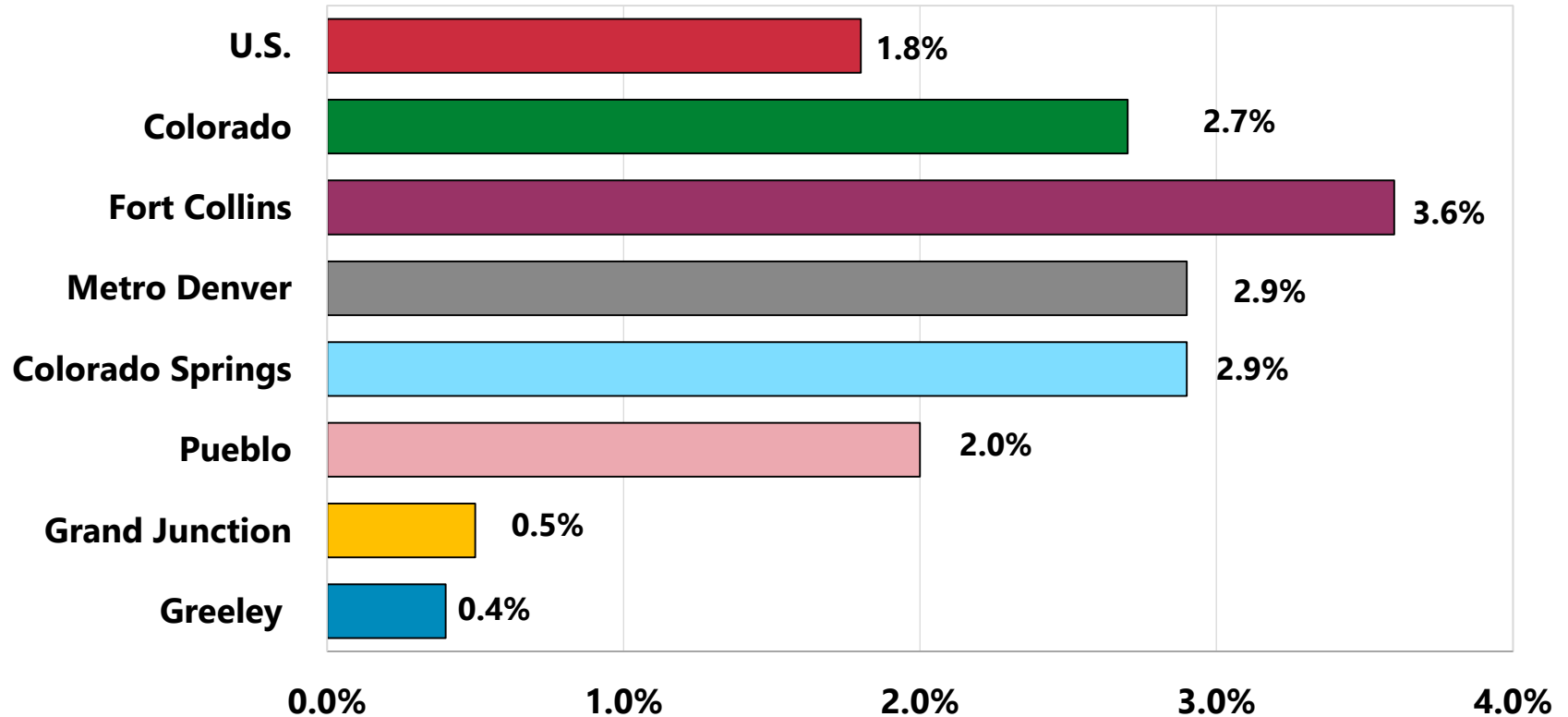
## Nonfarm Job Growth Rates



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

# Employment growth varies across the state

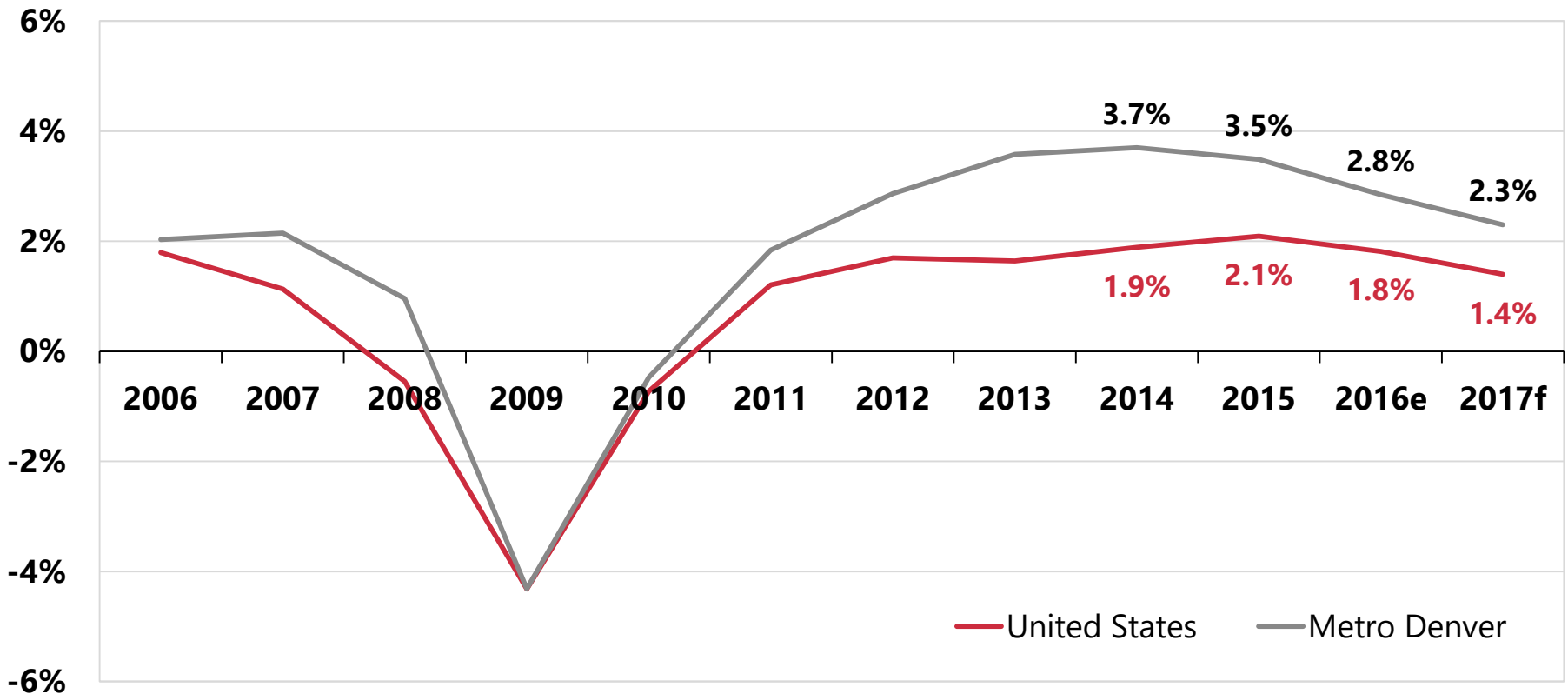
## Nonfarm Job Growth Rates by Metro Area, 1<sup>st</sup> Half 2016



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

# Nonfarm Job Growth Rates

**Metro Denver 2016 Employment = 1.6 million**  
**2013-2015: average 52,700 jobs added per year; expect 45,000 in 2016**



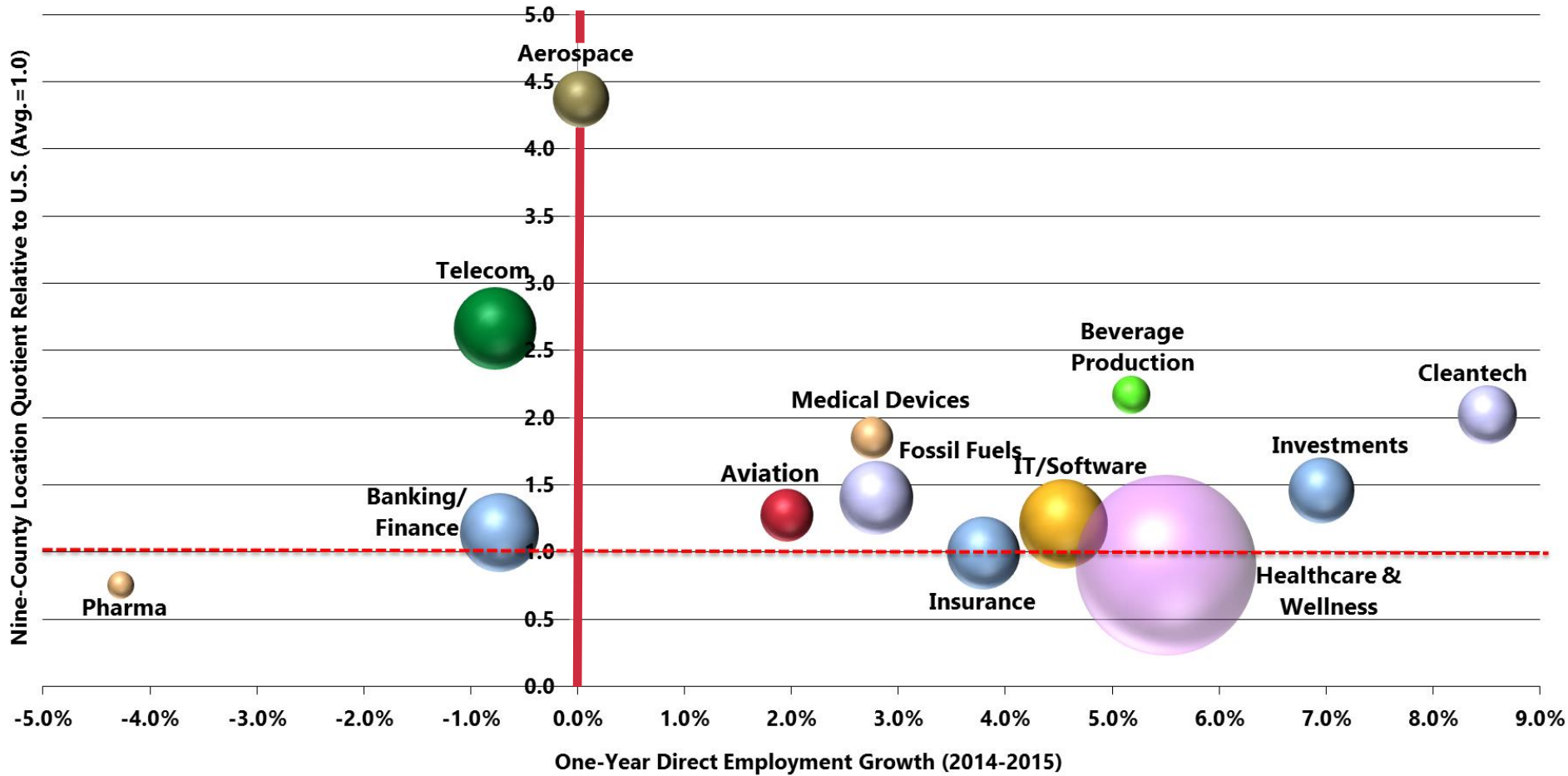
Source: U.S. Bureau of Labor Statistics.  
2016e = DRP estimate; 2017f = DRP forecast



# 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, 2014-2015



Source: Development Research Partners.

# Commercial Real Estate



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May you have a  
strong foundation  
when the winds of  
change shift...  
*- Bob Dylan, "Forever  
Young"*

# Metro Denver Commercial Real Estate

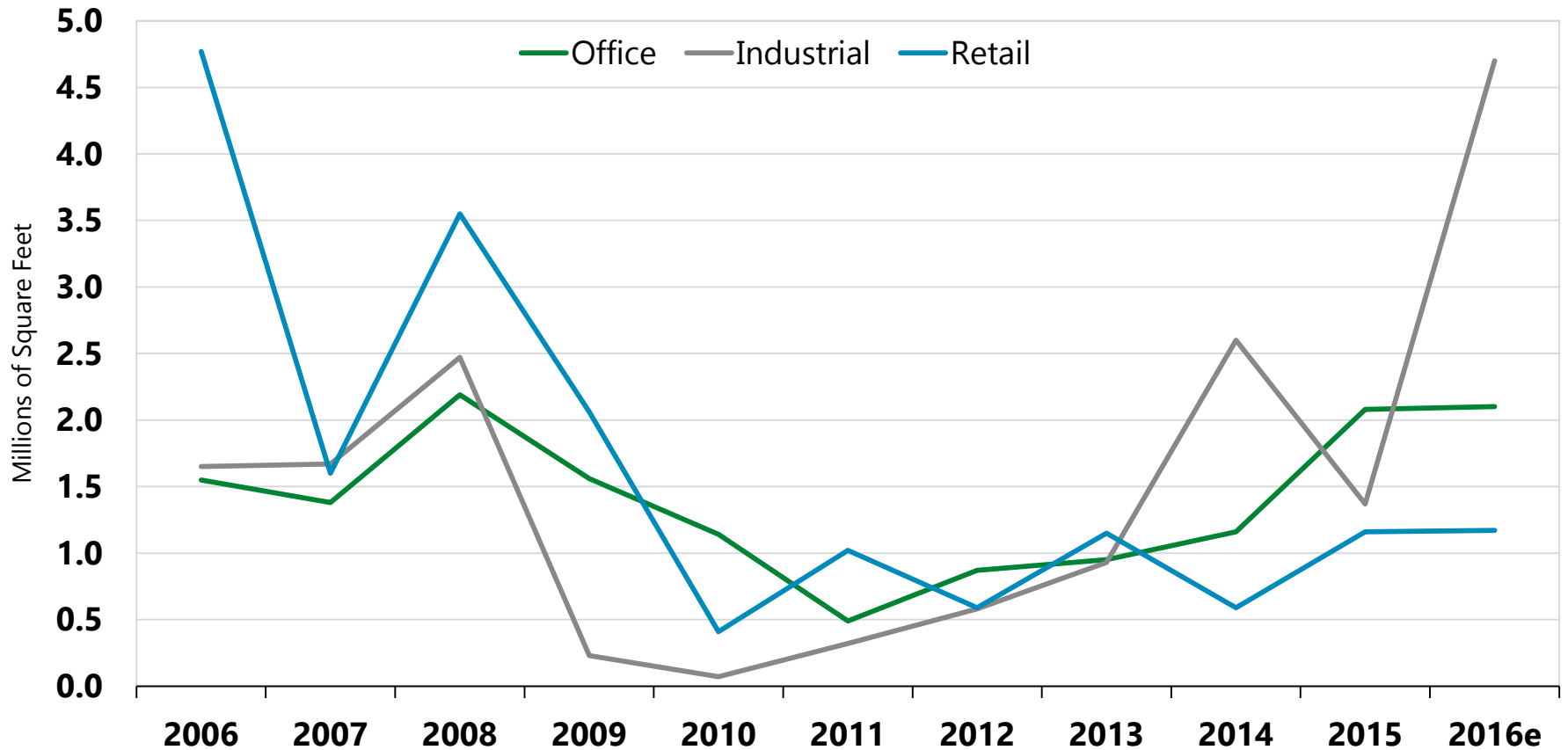
	Vacancy Rate (direct)		Lease Rate	
	2Q 2015	2Q 2016	2Q 2015	2Q 2016
Office	9.7%	9.0%	\$23.88	\$25.00
Industrial	2.9%	3.7%	\$6.57	\$7.45
Retail	5.1%	4.8%	\$15.90	\$16.42

## Construction Activity (YTD through 2Q 2016)

- Office: 0.5 MSF completed; 4.0 MSF under construction
- Industrial: 2.1 MSF completed; 3.5 MSF under construction
- Retail: 0.6 MSF completed; 1.0 MSF under construction

Source: CoStar Group, Inc.

# New Commercial Real Estate Added in Metro Denver



Source: CoStar Realty Information  
2016 estimate=DRP analysis of CoStar data

# Consumer Activity



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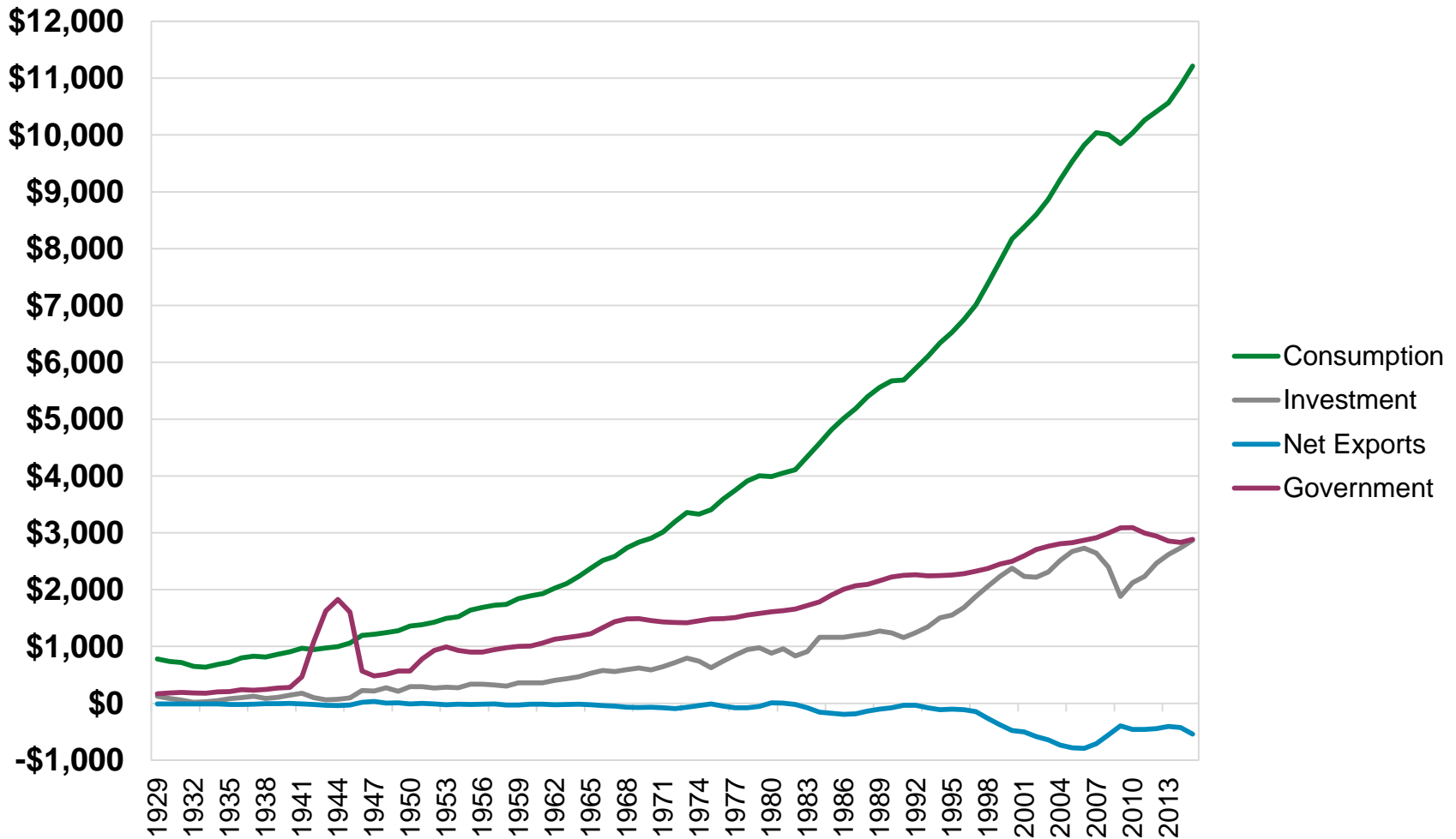
The future's in the air.  
I can feel it everywhere.  
Blowing with the wind of  
change.

– *Klaus Meine*

*Scorpions, “Wind of Change”*

# Components of Real GDP

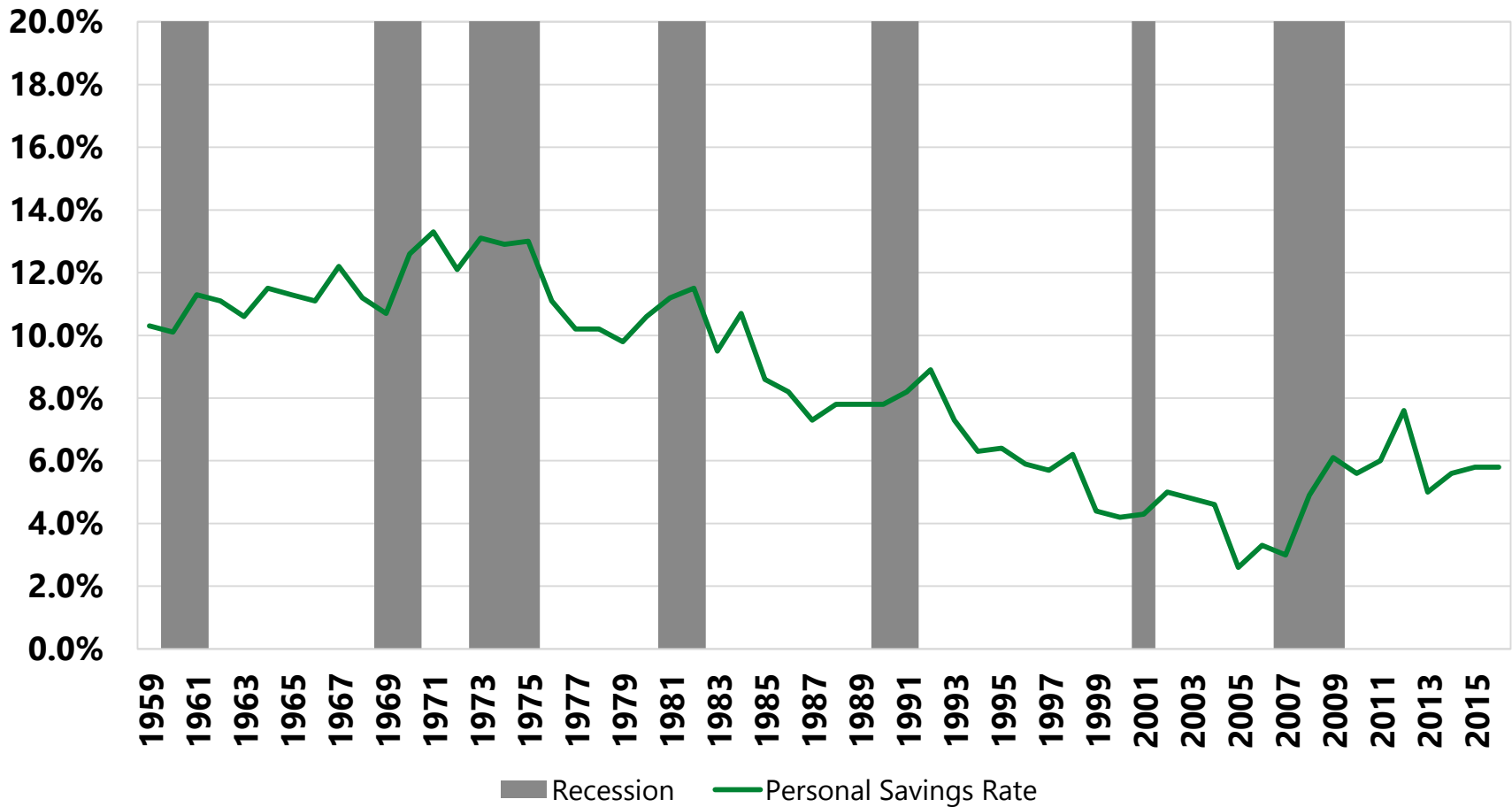
(\$billions, 2009 chained; seasonally adjusted at annual rates)



Source: U.S. Bureau of Economic Analysis.

# Personal Savings Rate

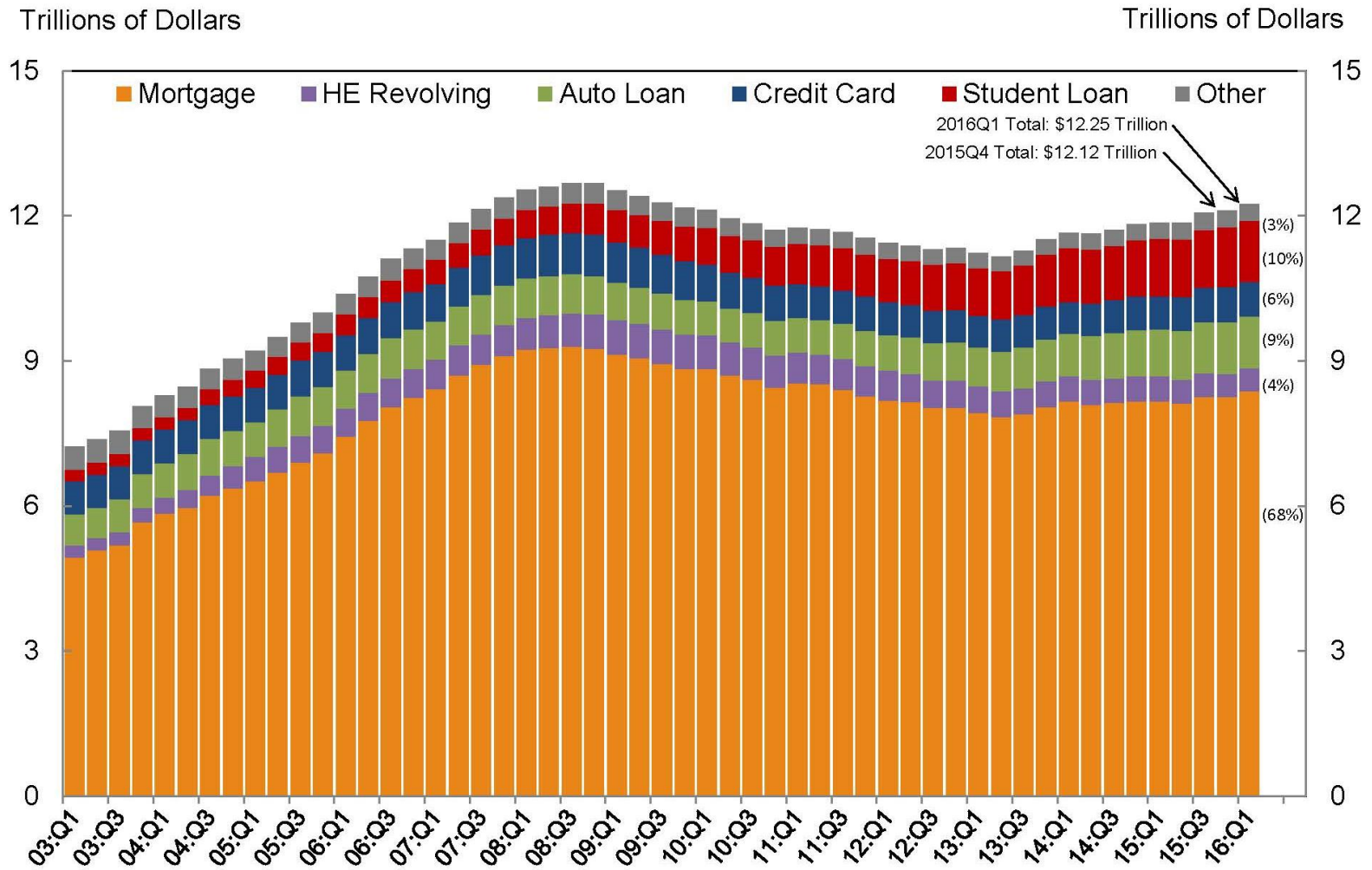
20-year average rate = 5.0%; 2015 and first half 2016 = 5.8%



Source: St. Louis Federal Reserve.



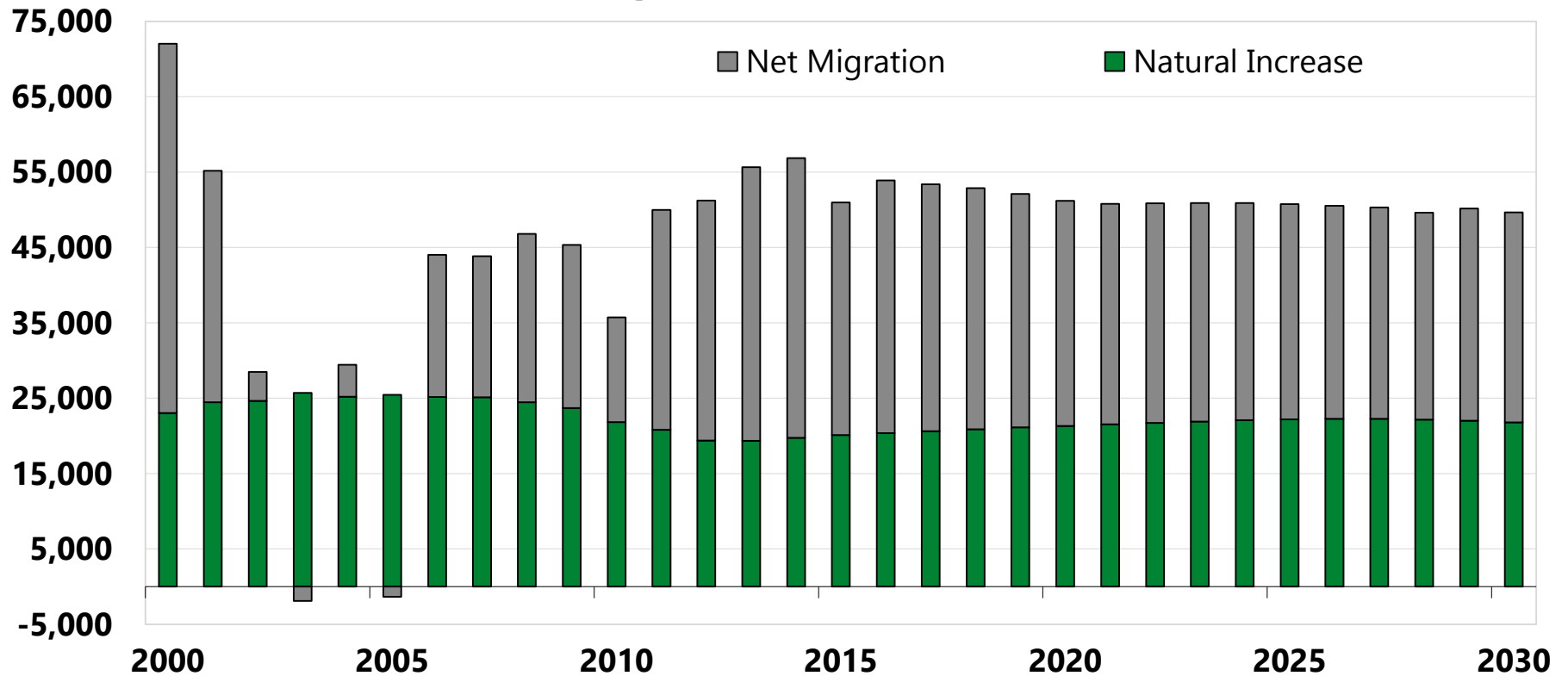
# Household Debt Balance & Composition



Source: FRBNY Consumer Credit Panel/Equifax

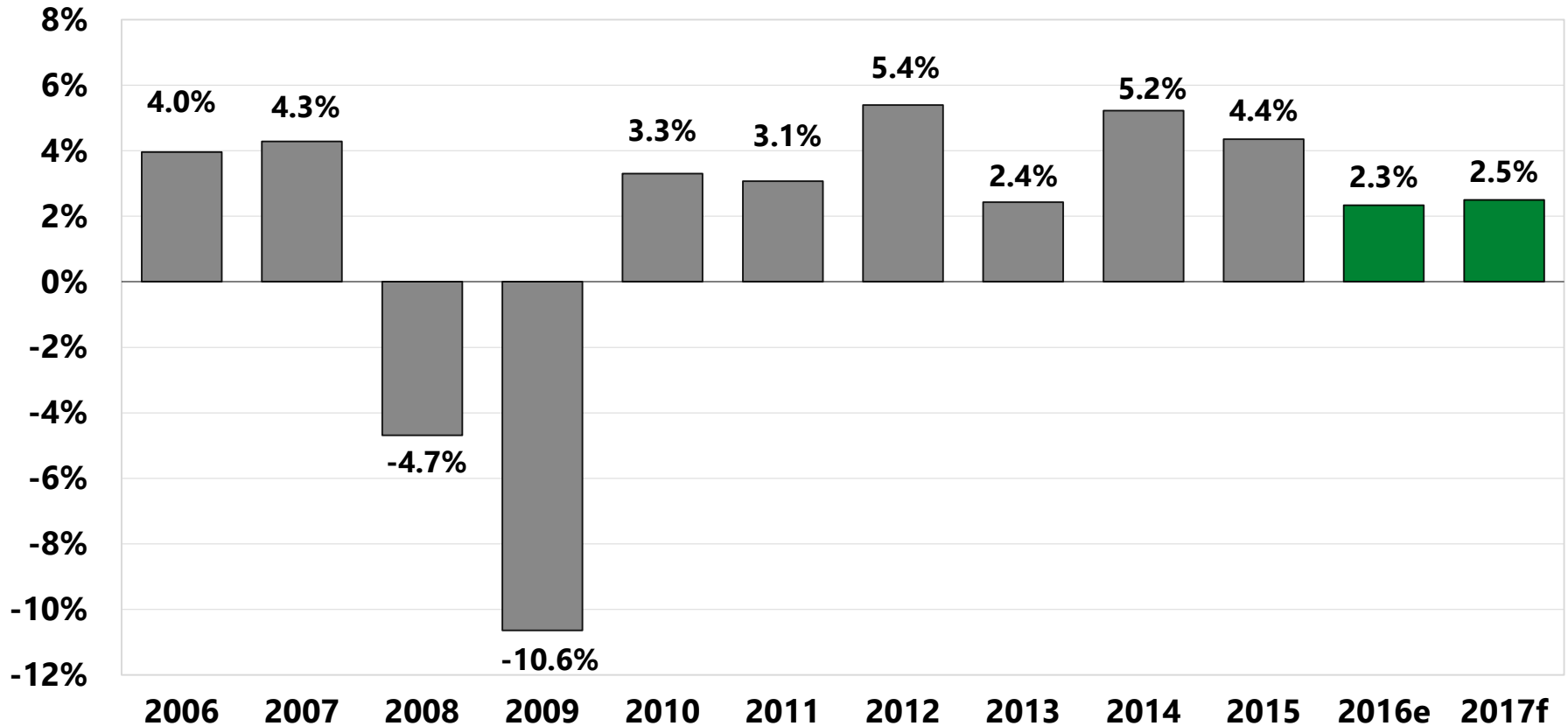
# Metro Denver Annual Change in Population

**2016 Population = 3.12 Million**



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

# Metro Denver Real Retail Trade Sales Growth Rates



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

# Residential Real Estate

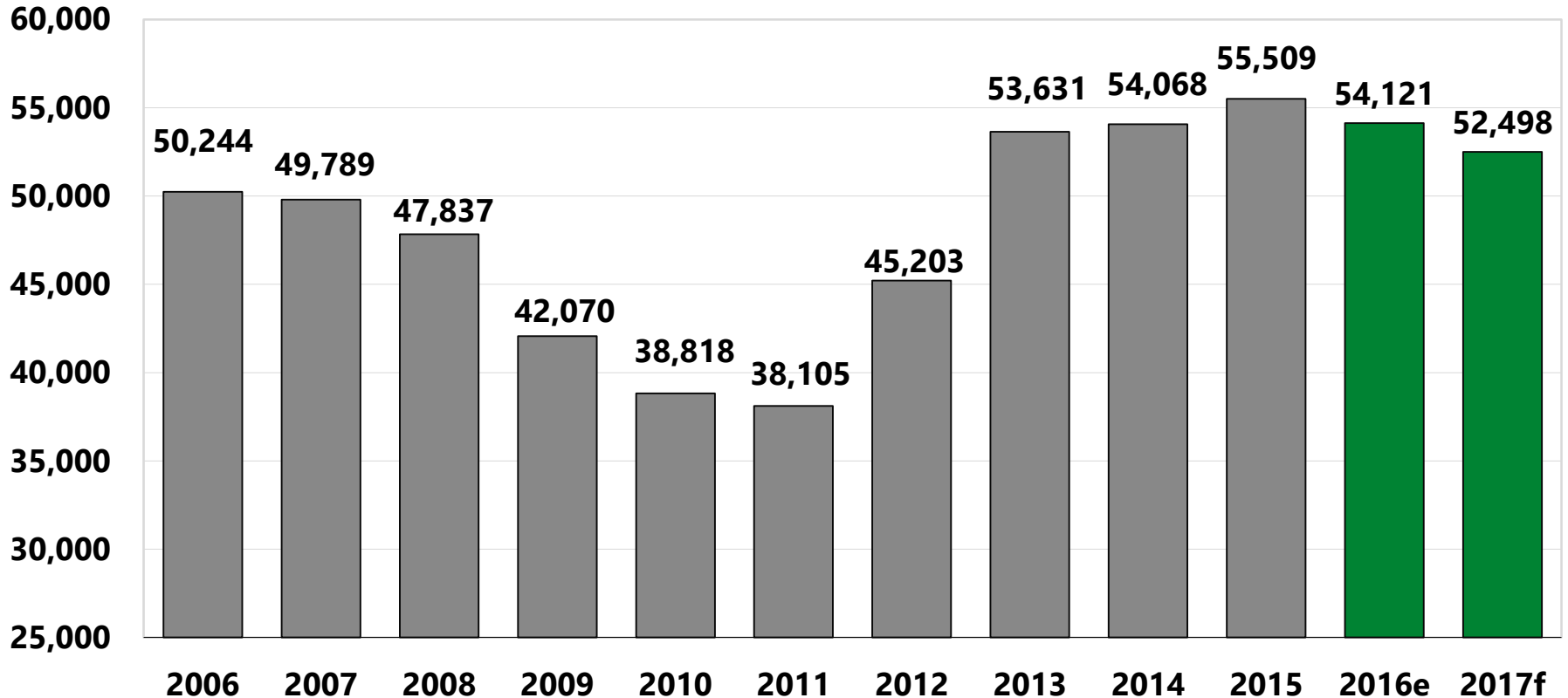


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My lips are  
chapped from  
the winds of  
change.  
– *Sarah Vowell*

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

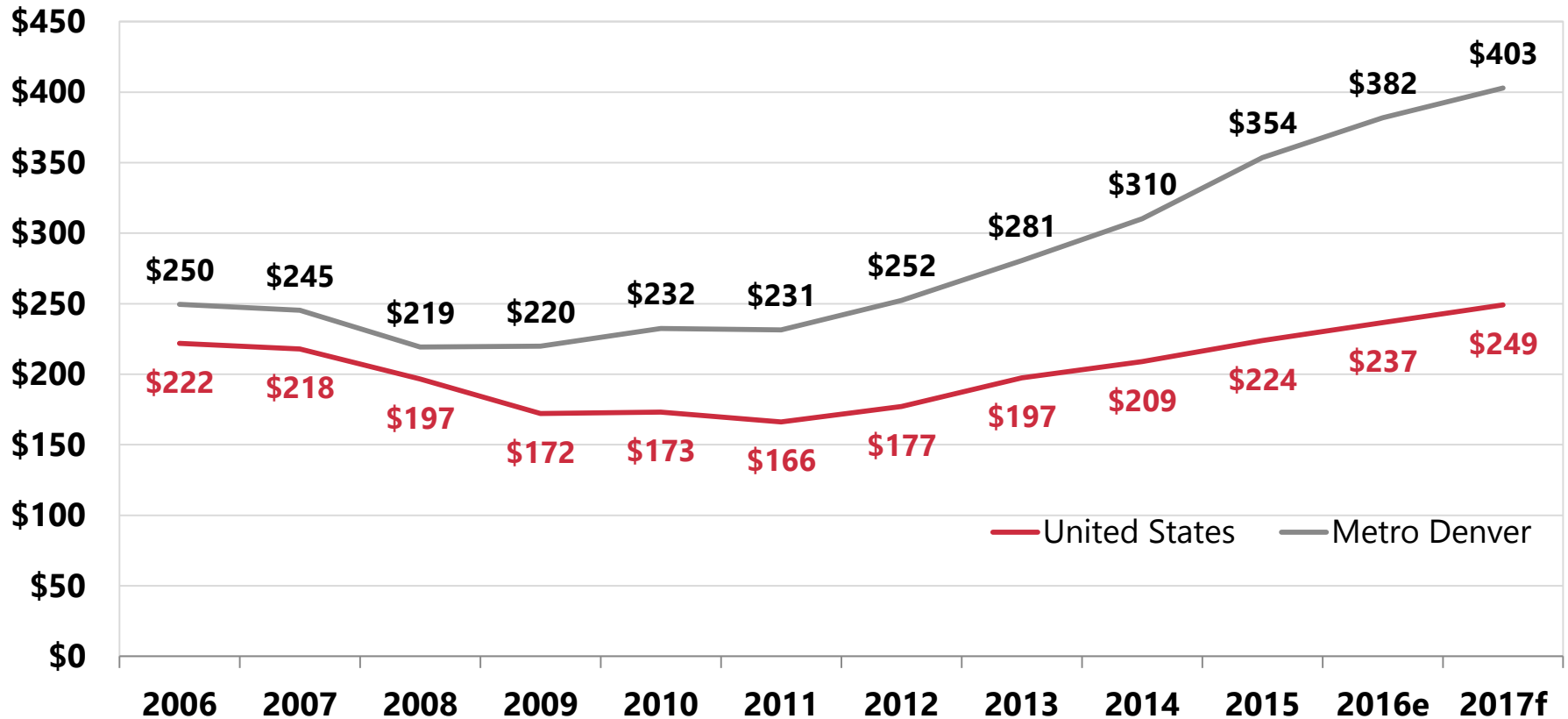
## Metro Denver Existing Home Sales Closed



Sources: Metrolist (2005-2010); Denver Metro Association of REALTORS (2011-2015).  
2016e = DRP estimate; 2017f = DRP forecast

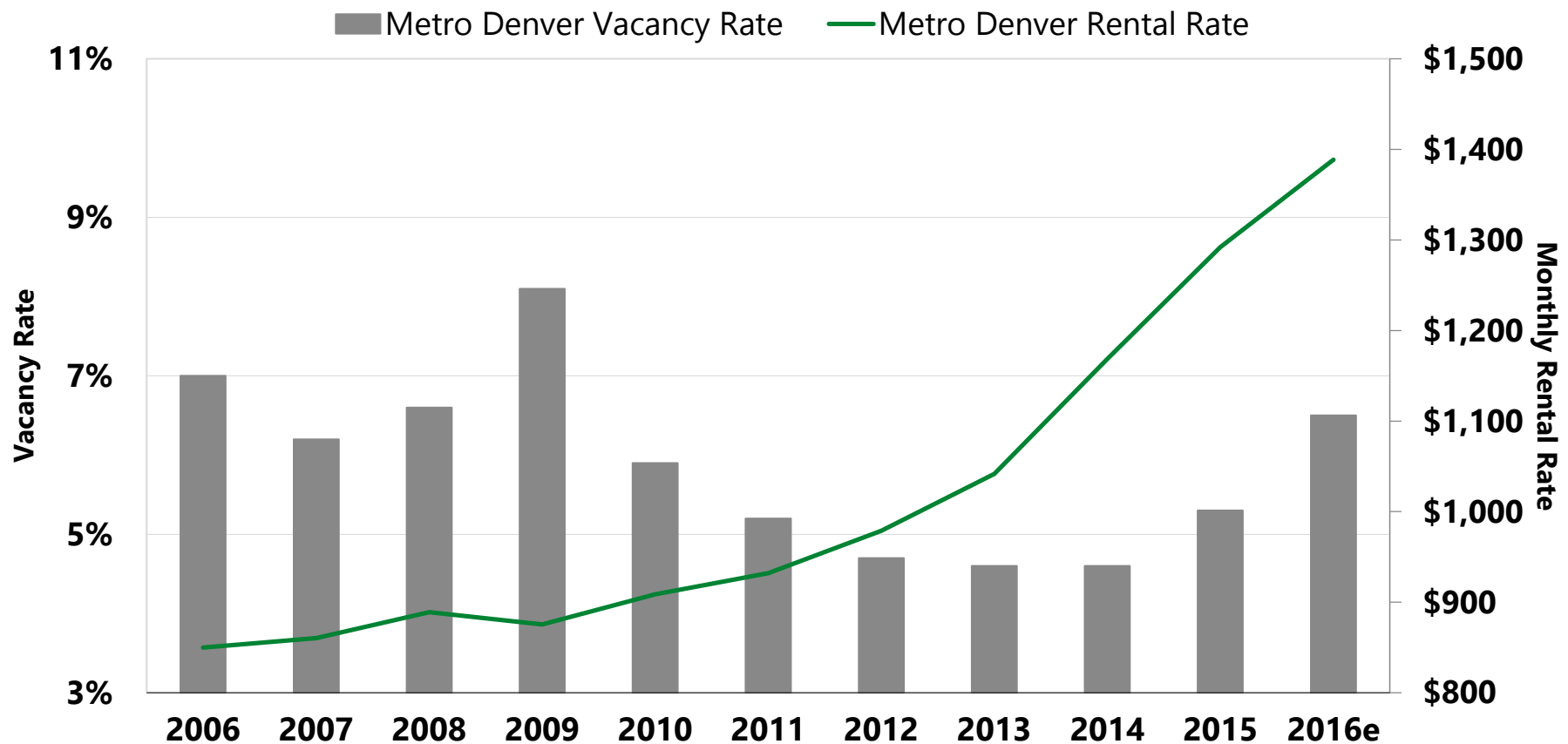
# Metro Denver ranked #18 for median home price in 2015 (Boulder #7 at \$454K)

## Median Home Prices (in thousands)



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

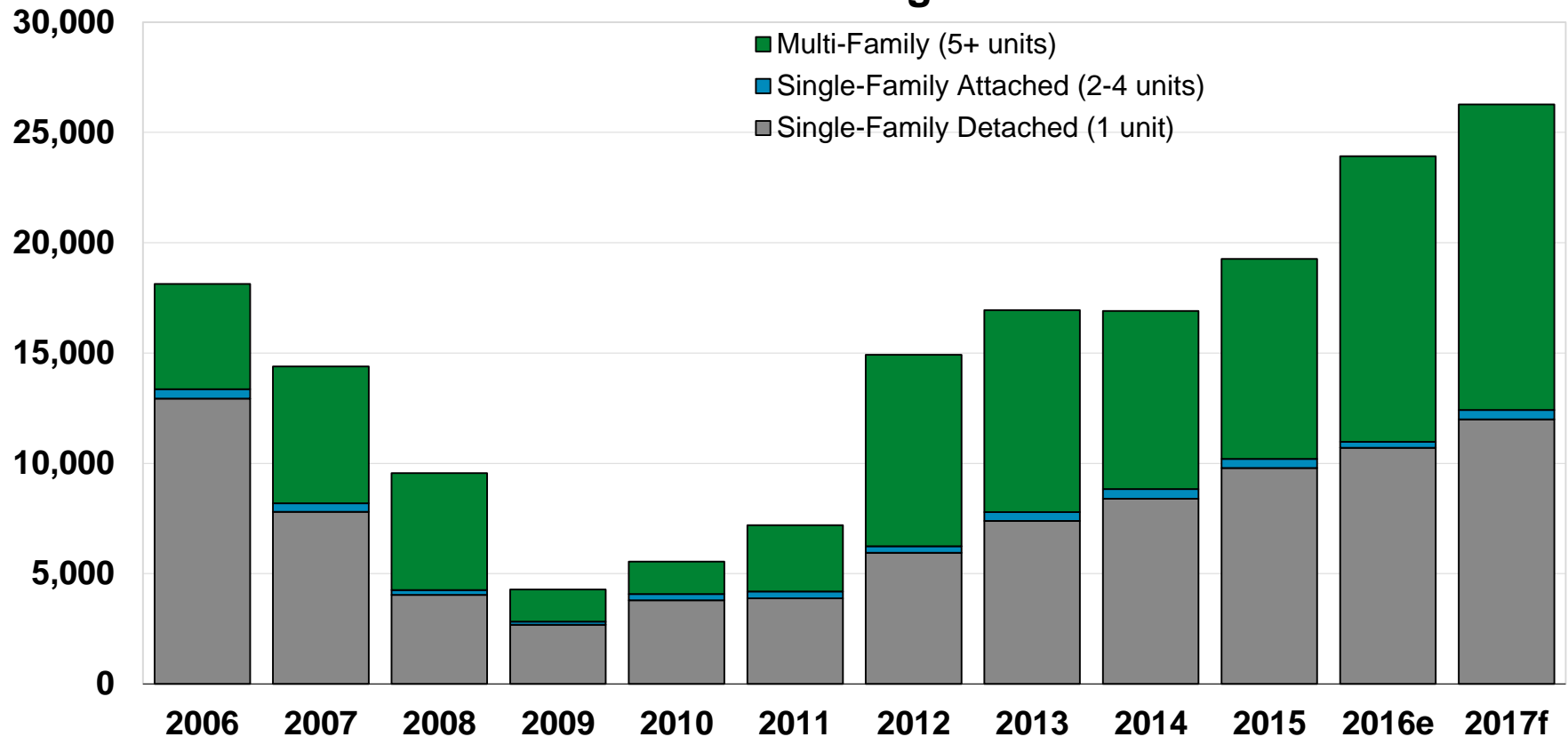
# Apartment Vacancy and Rental Rates



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

# Multi-family represents 54% 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



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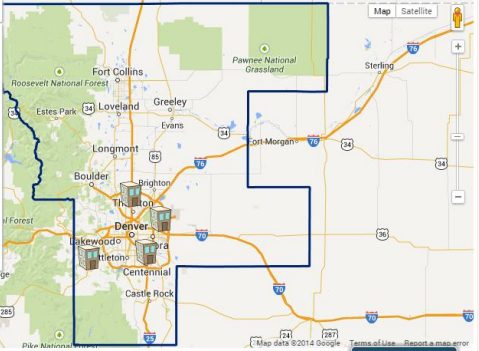
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