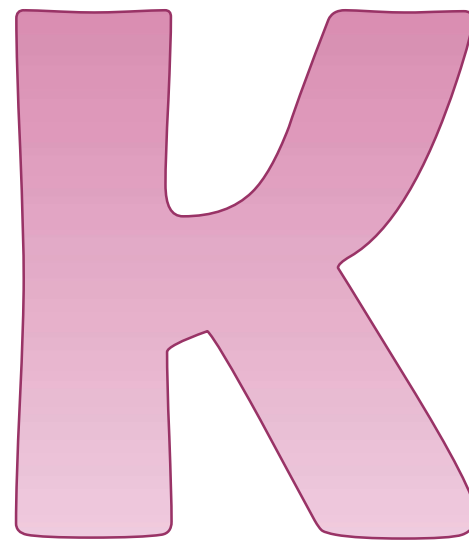


Tracking the Great Divide: 2021 Economic Forecast for Colorado

January 27, 2021



Prepared by:



In Partnership with:



The Global Situation

- COVID-19 infected 100 million people across globe, resulting in 2.1 million deaths (1/26/2021)
- Degree of “openness” varies across globe, creating worldwide supply and demand challenges
- Travel restrictions vary, limiting business and pleasure trips
- Vaccine!!!

Year over Year Growth in Output

	2019	2020	2021
World	2.8%	-4.4%	5.2%
United States	2.2%	-4.3%	3.1%
Canada	1.7%	-7.1%	5.2%
Mexico	-0.3%	-9.0%	3.5%
China	6.1%	+1.9%	8.2%

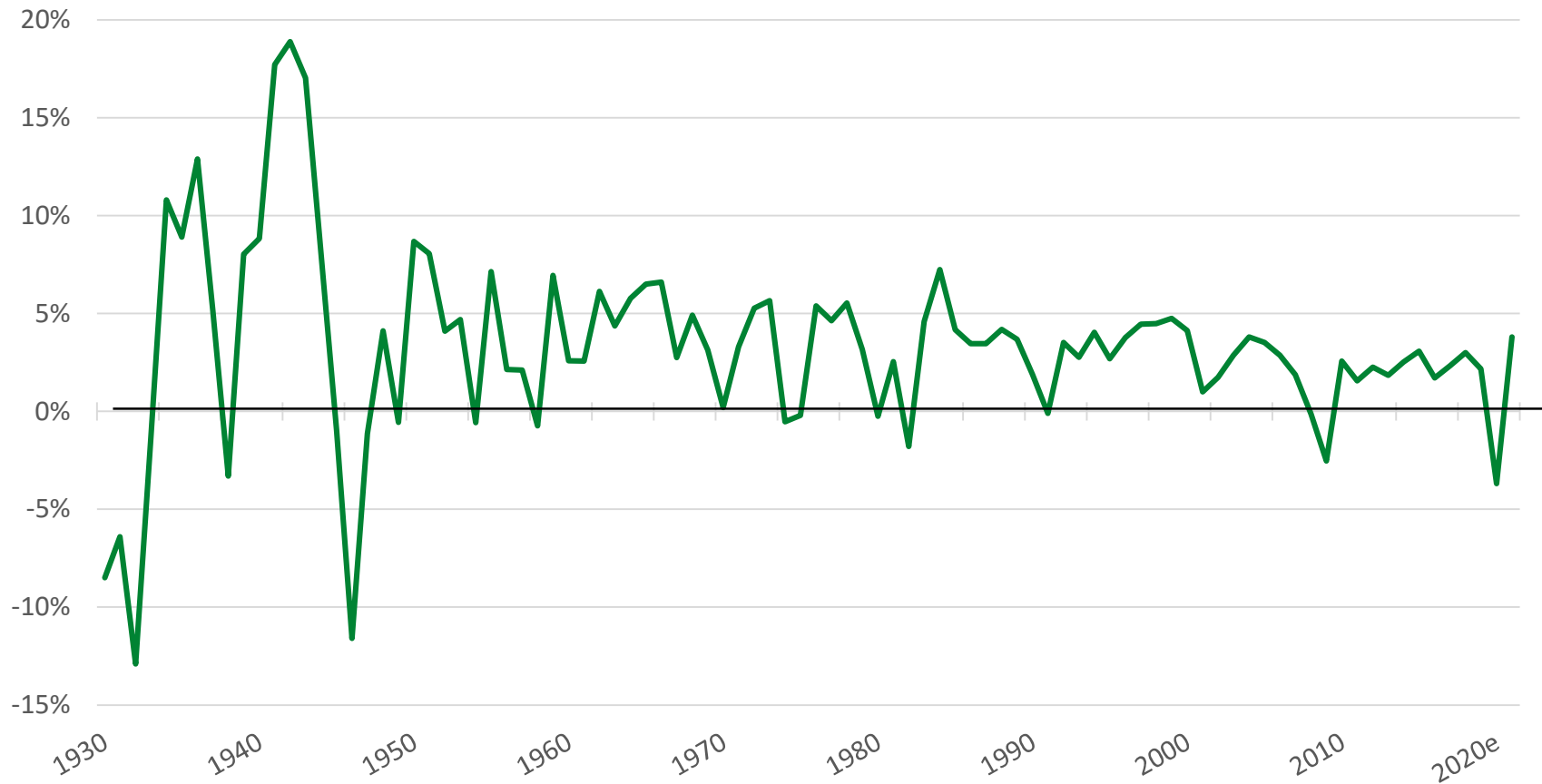
Source: International Monetary Fund, World Economic Outlook, October 2020.

The United States Situation

- Nearly \$6T in relief funds (direct payments, grants, loans, tax relief) approved for infusion into the economy since March 27, equivalent of about 27% of 2019 GDP (\$21.4 T)
- The Federal Reserve has maintained the federal funds rate to a range of 0 to 0.25 percent.
- Federal budget deficit increased from \$1T in 2019 to \$3.3T in 2020 (+236.4%)
- Total Debt of \$27T is 127% of GDP (Oct. 2020)

Expected drop in GDP in 2020 is steep, but not as bad as declines in 1930s and 1940s

Annual Change in Real GDP



Source: U.S. Bureau of Economic Analysis.
2020e = DRP Estimate; 2021f = DRP Forecast.

Labor Force & Employment



© Can Stock Photo / paulbradypphoto

- Average weekly wage
- Labor force participation
- Unemployment claims
- Employment by industry

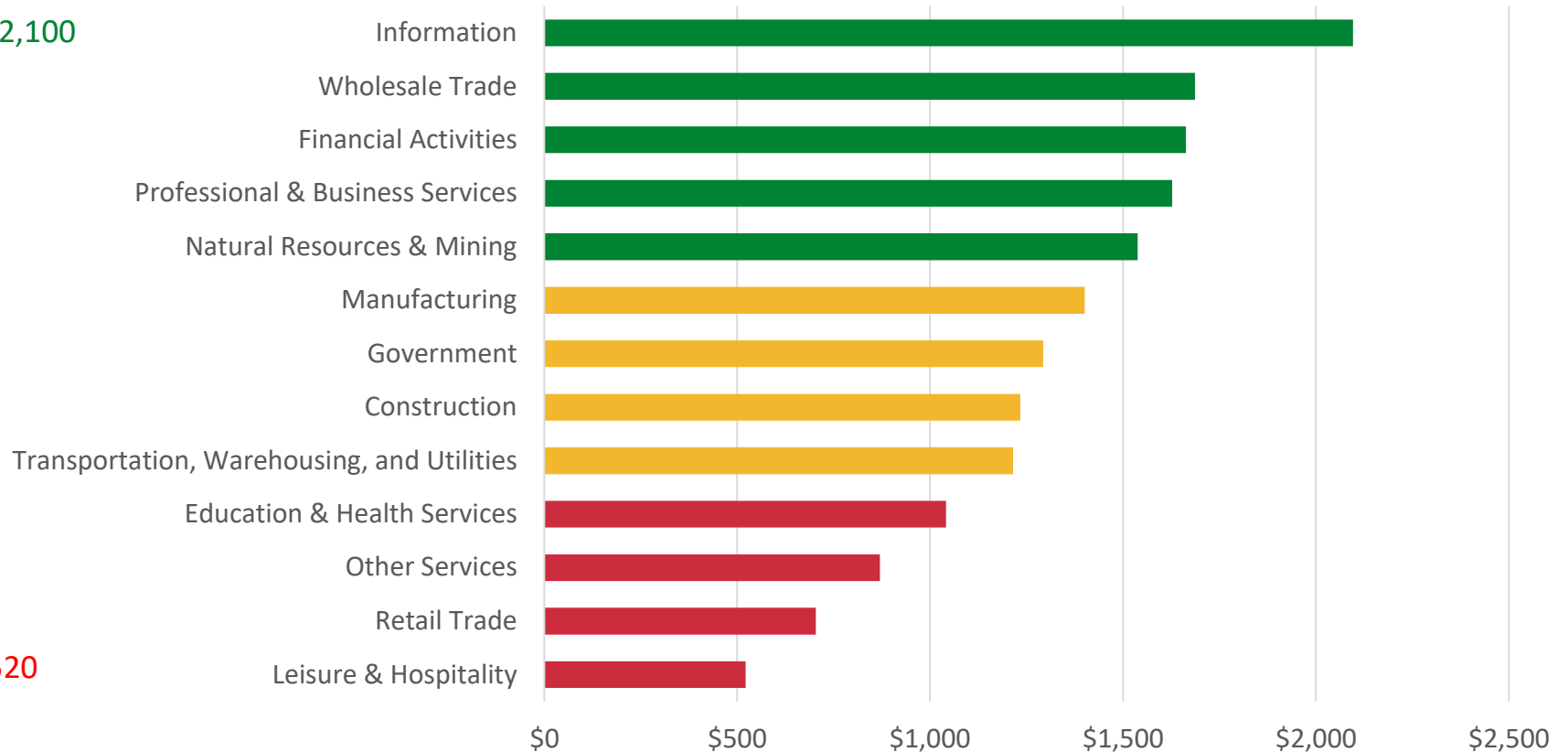
Compare Wages by Supersectors; Recognize Wages Vary by Experience, Education, Others

Colorado Average Weekly Wage by Supersector, 2Q 2020

Highest: \$2,100

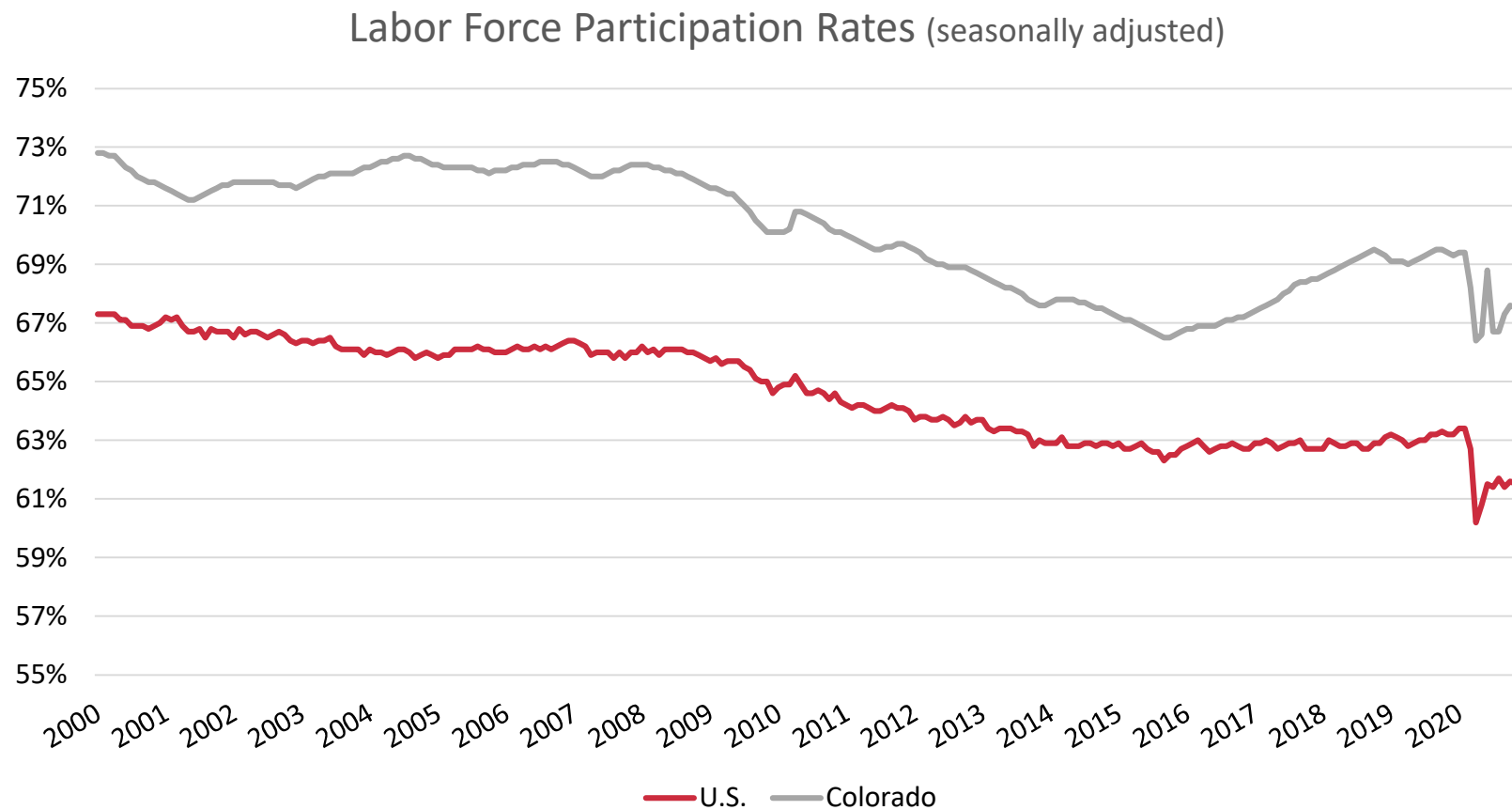


Lowest: \$520



Source: Colorado Department of Labor & Employment, QCEW.

Male LFPR: 77.2% pre, 76.7% now
Female LFPR: 64.8% pre, 62.7% now



Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics.
Pre=Feb 2019-Jan 2020 average; Now=Dec 2019-Nov 2020 average.

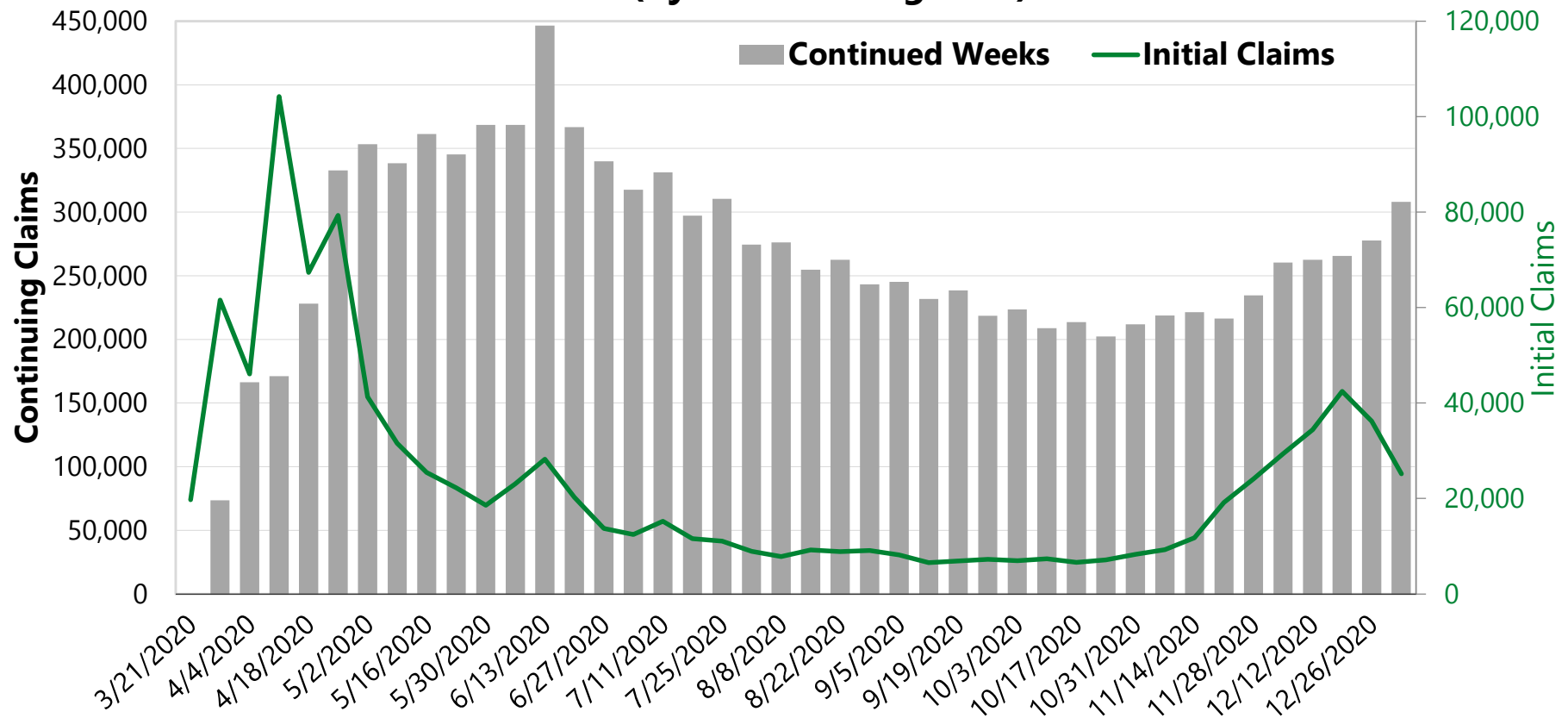
Labor Force Contracts, Unemployment Rate Falls from Initial Expectations



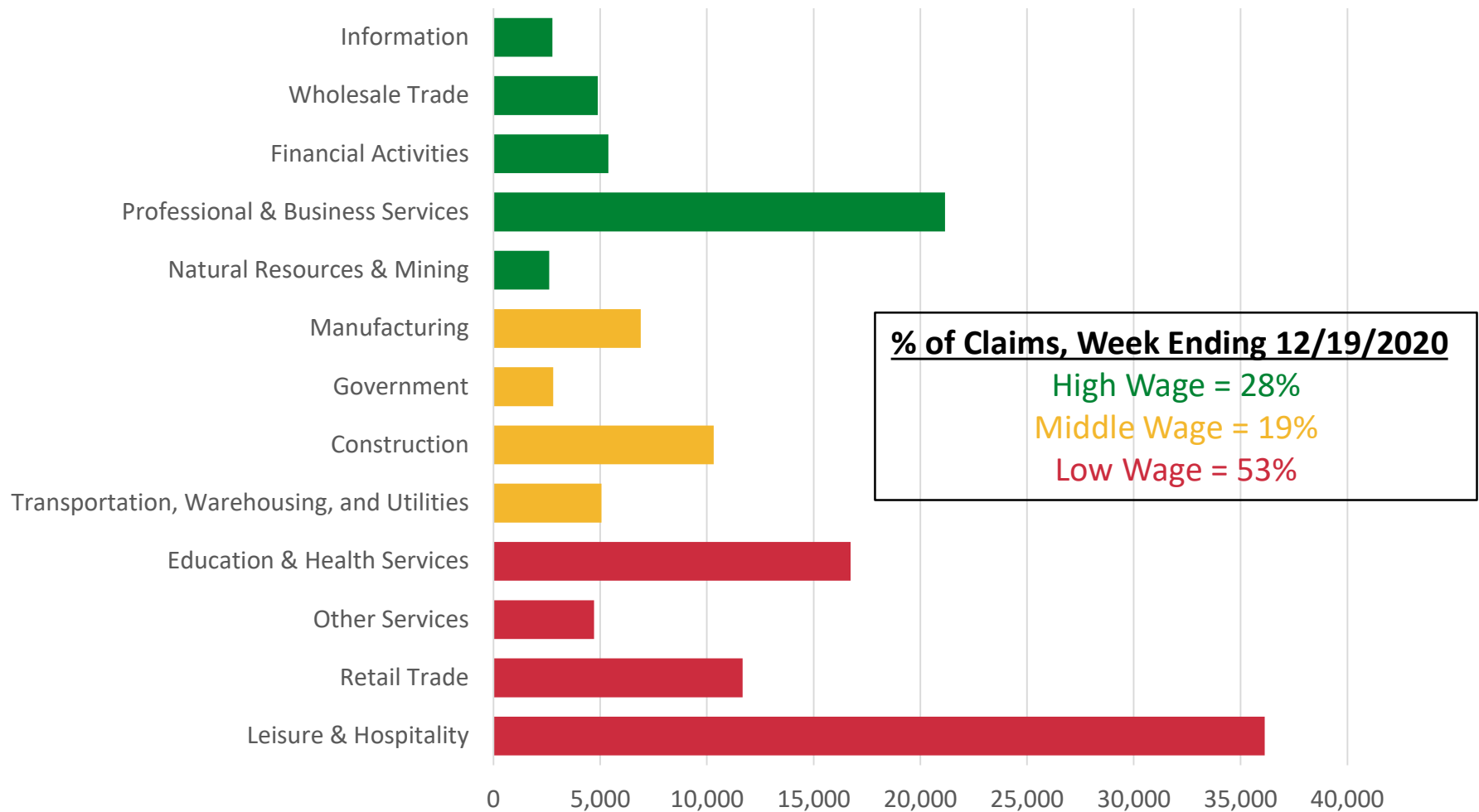
Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics.
2020e=DRP Estimate; 2021f=DRP Forecast.

Number of Colorado Initial Claims and Continuing Claims Increasing Recently

**Weekly Unemployment Insurance Claims (Reg + PUA)
(by week ending date)**



Colorado Continued Claims by Supersector



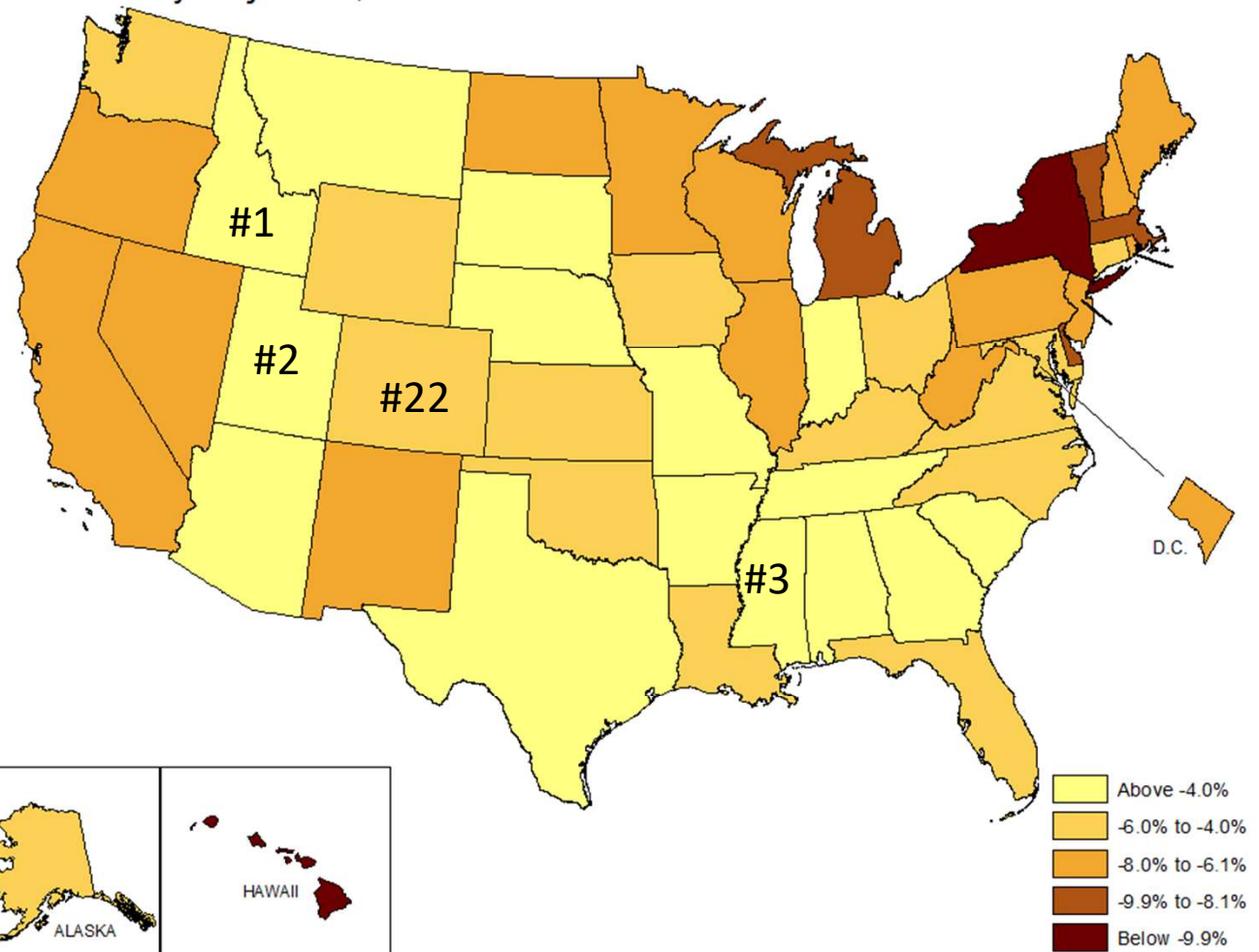
Source: Colorado Department of Labor & Employment.

All states lost jobs in April 2020 YOY; Idaho first state to report YOY increase in Nov.

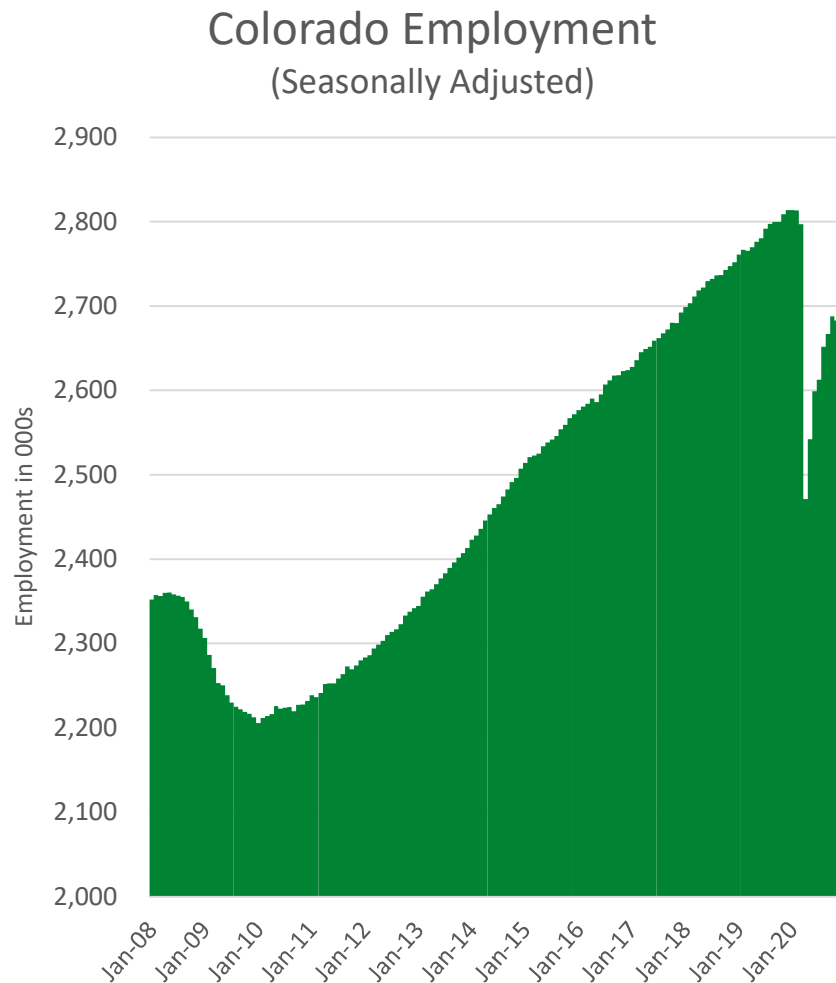
Map 2. Percentage change in nonfarm employment by state, seasonally adjusted, November 2019 - November 2020

Employment Growth Range

-15.2% HI
to
+0.5% in ID



Colorado Employment



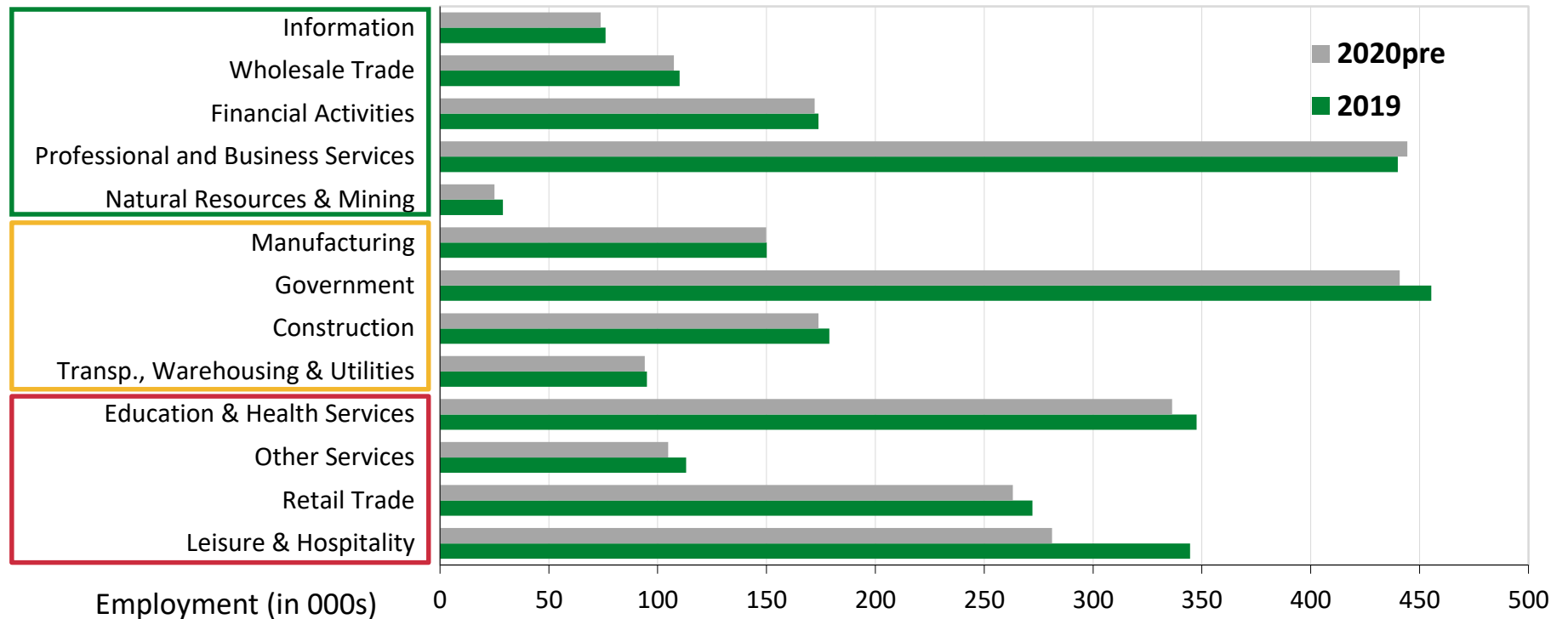
Great Recession:

- 155,000 jobs lost over 20 months (May 2008 – Jan 2010)
- 38 months to recover all lost jobs (Jan 2010 – Mar 2013)

COVID Recession:

- 343,000 jobs lost over 3 months (Jan 2020-April 2020)
- ?? months to recover all lost jobs (56% of jobs recovered May-Dec 2020)

Colorado Employment by Supersector



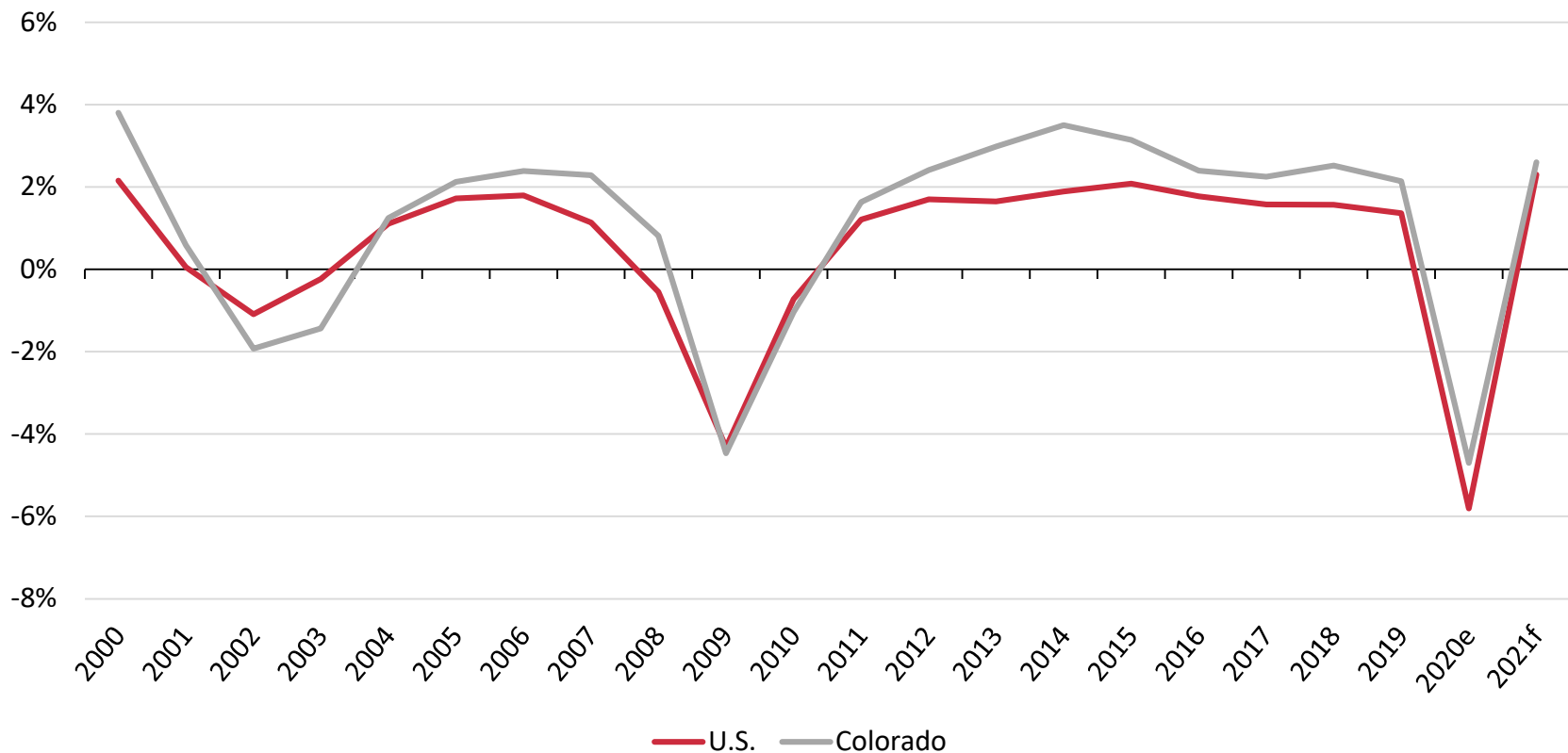
Source: Colorado Department of Labor & Employment, CES.

	% Emp. in 2019	2019 Emp.	2020pre Emp.	Abs. Change	% Change
High Wage	30%	828.9	822.9	-6.0	-0.7%
Middle Wage	32%	879.3	858.6	-20.7	-2.4%
Low Wage	39%	1,077.5	985.3	-92.2	-8.6%
Total	100%	2,785.7	2,666.8	-118.9	-4.3%

Colorado Employment Growth Slowing Before COVID-19

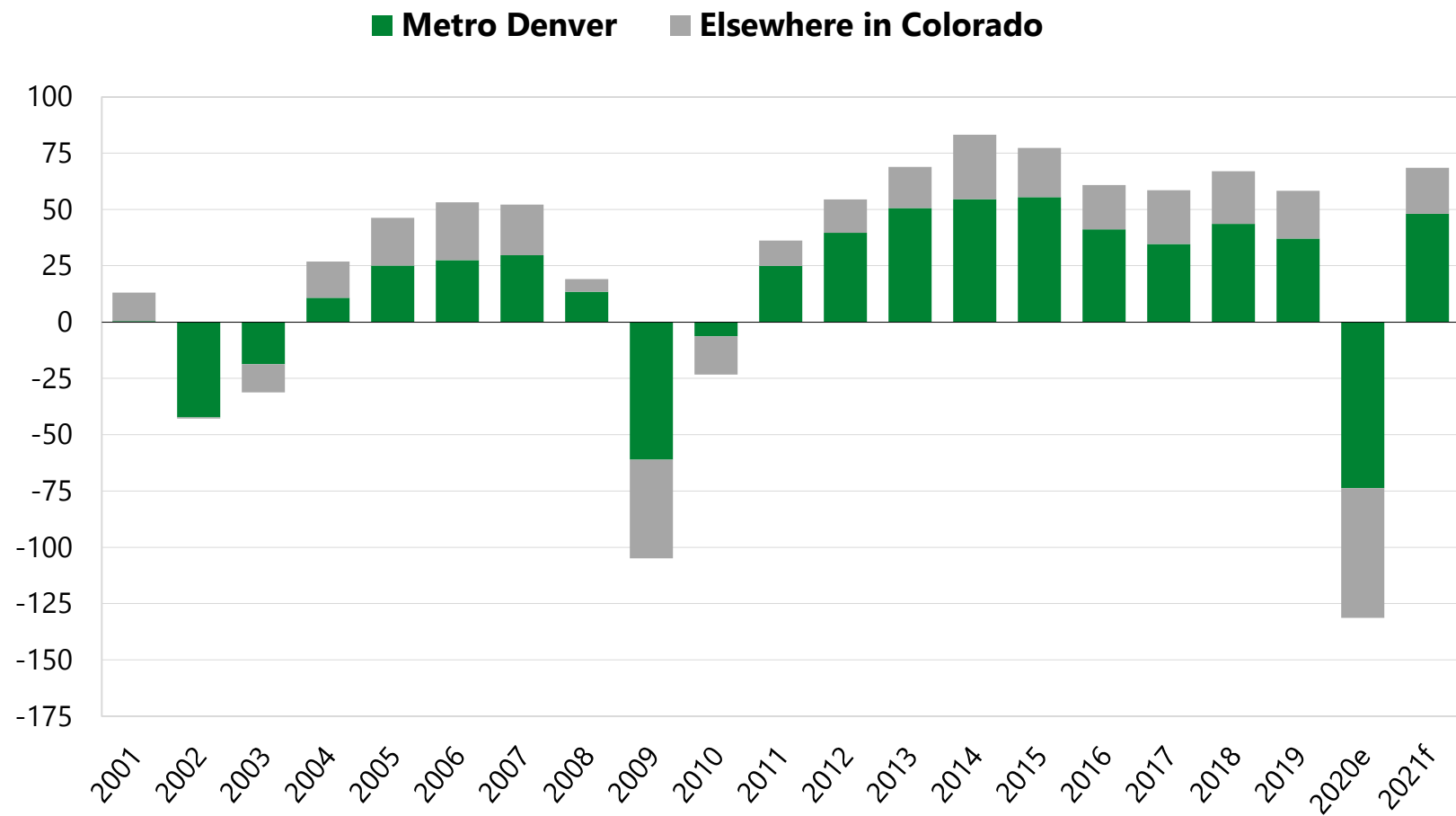
Employment Growth Rate

	2019 Emps.	2020 Change	2021 Change
U.S.	150.9 M	-8.7 M	+3.3 M
Colorado	2.78 M	-131,000	+68,000



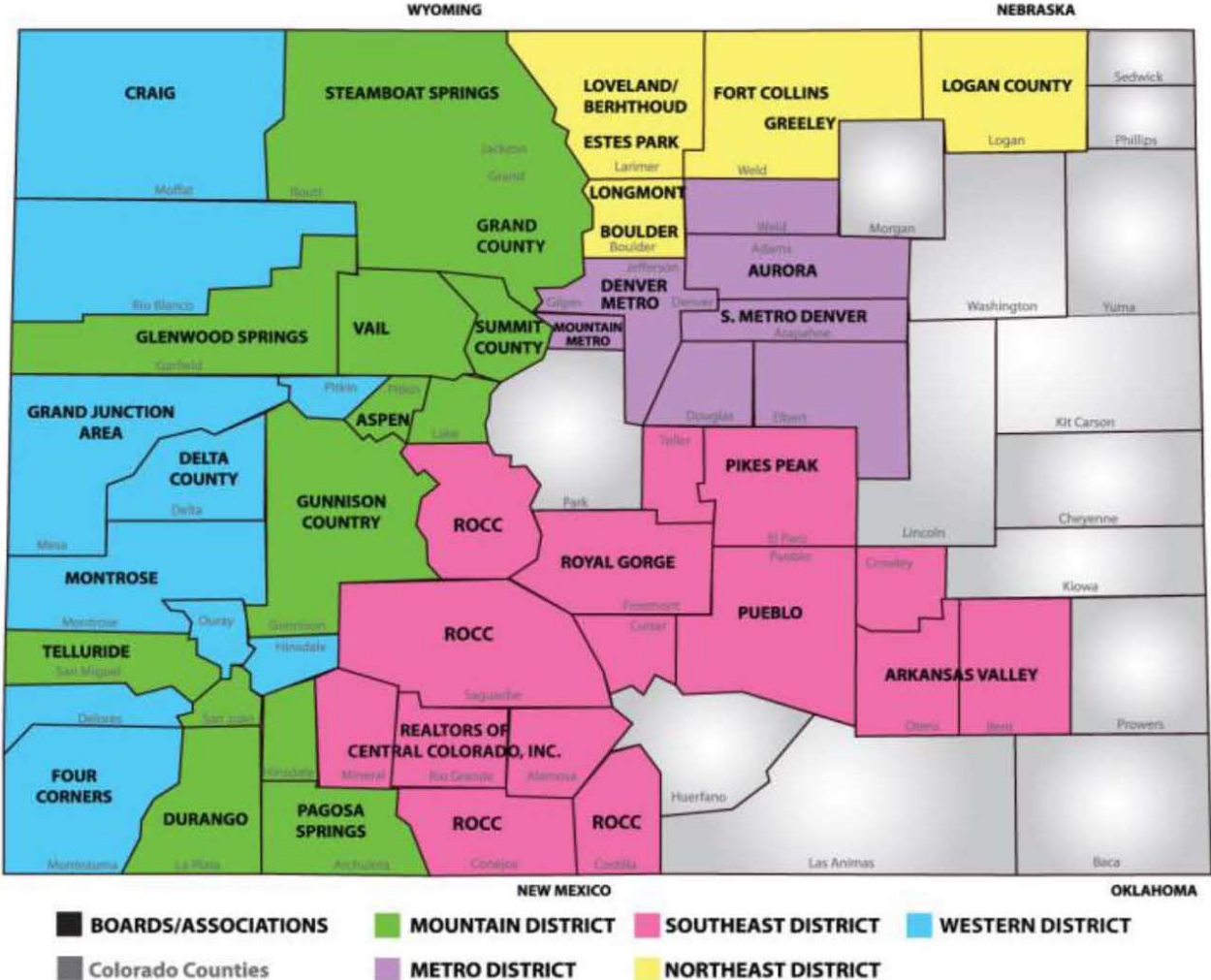
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics.
2020e=DRP Estimate; 2021f=DRP Forecast.

Colorado Net New Jobs (in thousands)

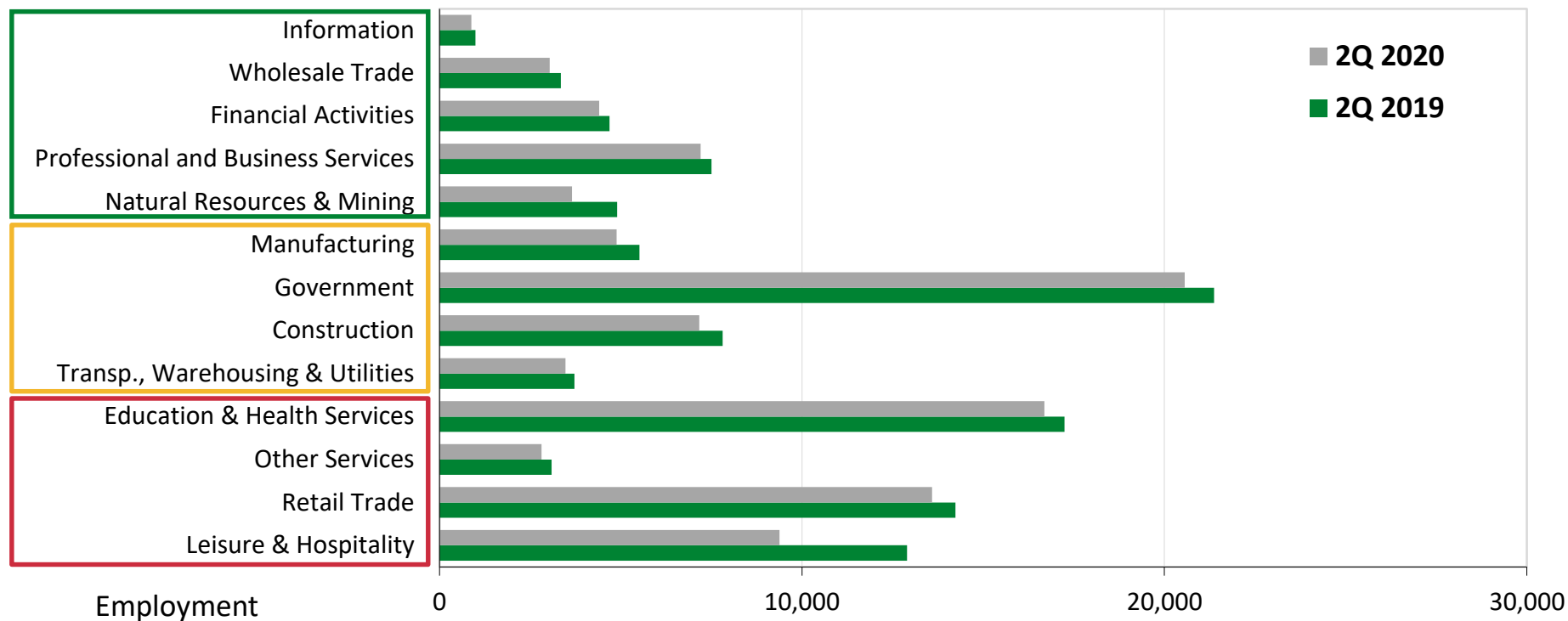


Source: Colorado Department of Labor & Employment.
2020e=DRP Estimate; 2021f=DRP Forecast.

Colorado Association of REALTORS Districts



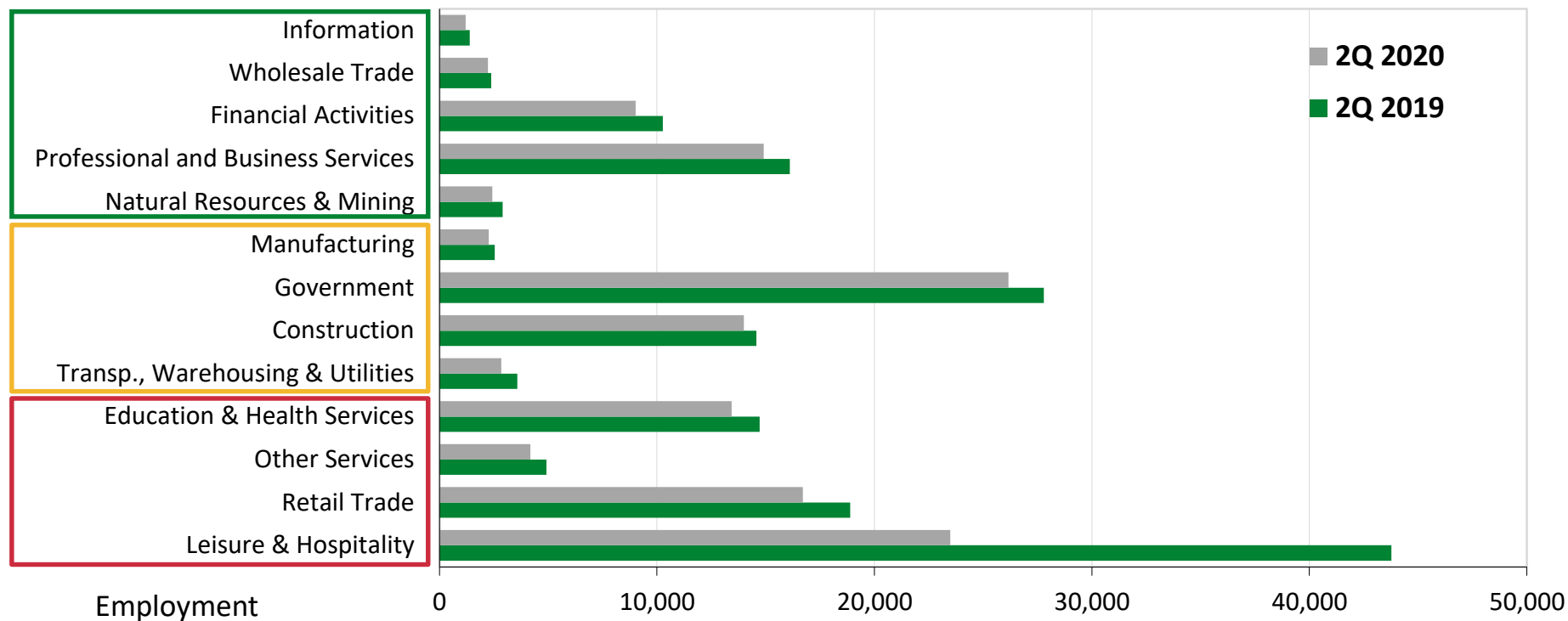
Western District Employment is 15% of State Employment by Supersector



Source: Colorado Department of Labor & Employment, QCEW.

	% in 2Q 2019	2Q2019 Emp.	2Q2020 Emp.	Abs. Change	% Change
High Wage	20%	21,400	19,200	-2,200	-10.3%
Middle Wage	36%	38,400	36,100	-2,300	-6.0%
Low Wage	44%	47,500	42,500	-5,000	-10.5%
Total	100%	107,300	97,800	-9,500	-8.9%

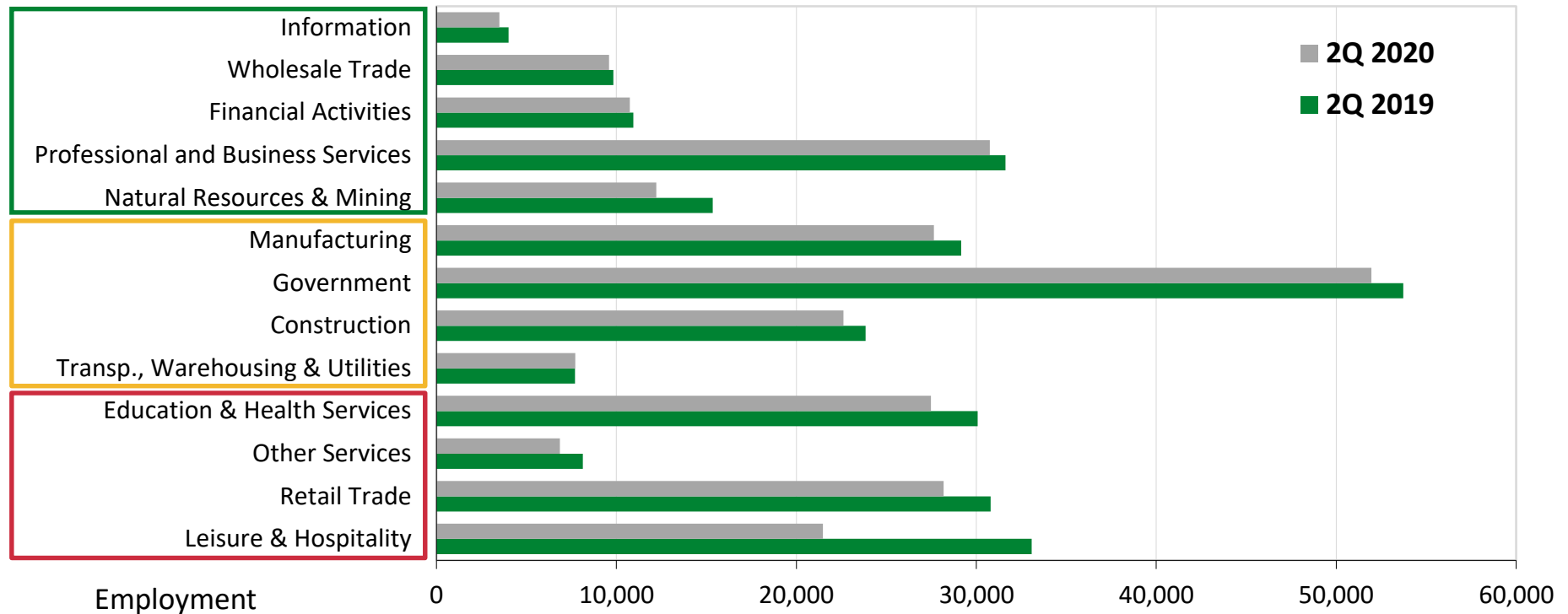
Mountain District Employment is 6% of State Employment by Supersector



Source: Colorado Department of Labor & Employment, QCEW.

	% in 2Q 2019	2Q2019 Emp.	2Q2020 Emp.	Abs. Change	% Change
High Wage	20%	33,100	29,800	-3,300	-10.0%
Middle Wage	30%	48,500	45,300	-3,200	-6.6%
Low Wage	50%	82,300	57,800	-24,500	-29.8%
Total	100%	163,900	132,900	-31,000	-18.9%

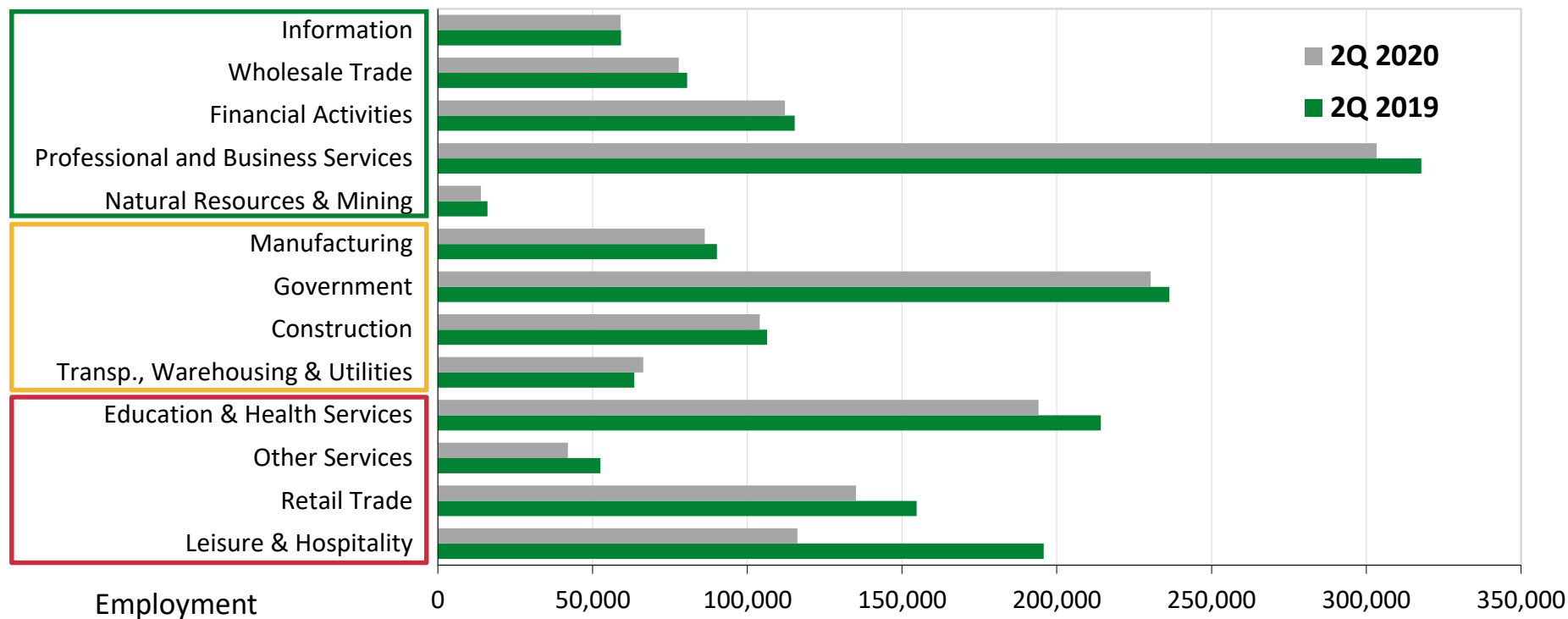
Northeast District Employment is 11% of State Employment by Supersector



Source: Colorado Department of Labor & Employment, QCEW.

	% in 2Q 2019	2Q2019 Emp.	2Q2020 Emp.	Abs. Change	% Change
High Wage	25%	71,800	66,800	-5,000	-7.0%
Middle Wage	40%	114,500	109,900	-4,600	-4.0%
Low Wage	35%	102,100	84,000	-18,100	-17.7%
Total	100%	288,400	260,700	-27,700	-9.6%

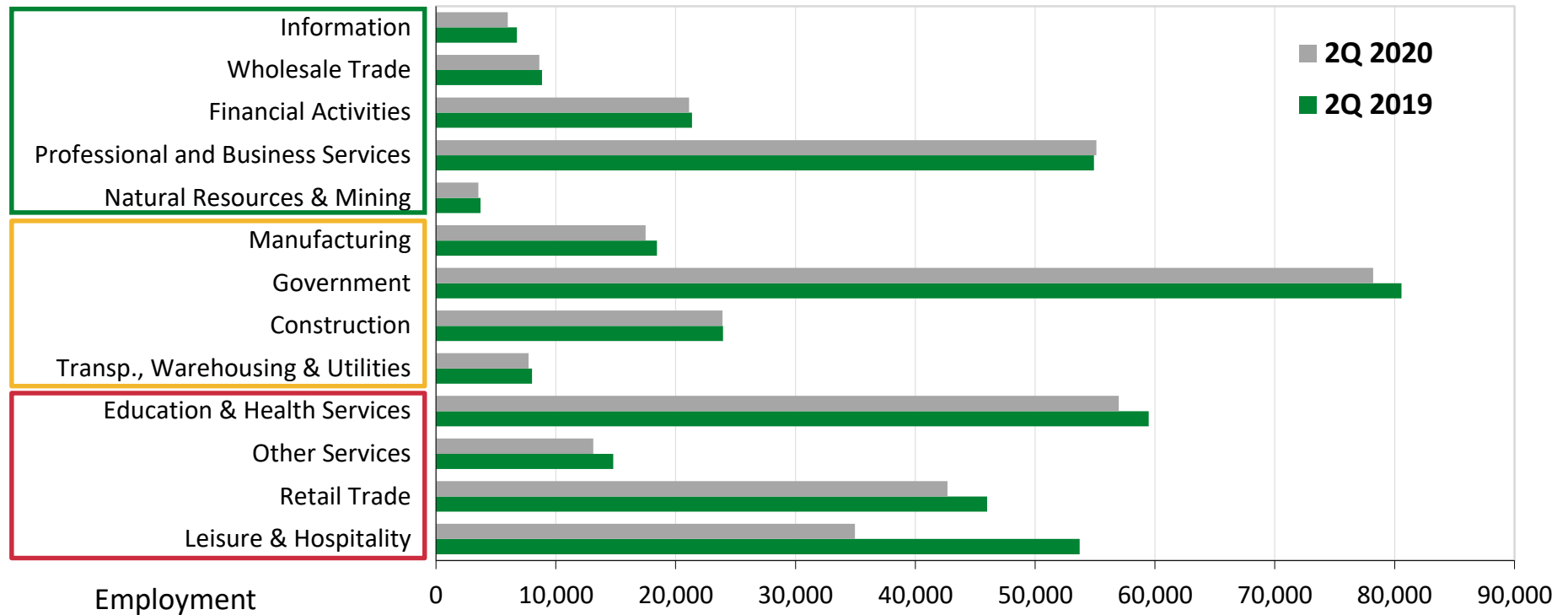
Metro District Employment is 63% of State Employment by Supersector



Source: Colorado Department of Labor & Employment, QCEW.

	% in 2Q 2019	2Q2019 Emp.	2Q2020 Emp.	Abs. Change	% Change
High Wage	35%	588,800	566,200	-22,600	-3.8%
Middle Wage	29%	496,400	486,900	-9,500	-1.9%
Low Wage	36%	617,300	487,400	-129,900	-21.0%
Total	100%	1,702,500	1,540,500	-162,000	-9.5%

Southeast District Employment is 15% of State Employment by Supersector



Source: Colorado Department of Labor & Employment, QCEW.

	% in 2Q 2019	2Q2019 Emp.	2Q2020 Emp.	Abs. Change	% Change
High Wage	24%	95,600	94,400	-1,200	-1.3%
Middle Wage	33%	131,000	127,300	-3,700	-2.8%
Low Wage	43%	174,000	147,700	-26,300	-15.1%
Total	100%	400,600	369,400	-31,200	-7.8%

Commercial Real Estate

- Vacancy rates
- Sublet space
- Lease rates
- Construction activity



© Can Stock Photo / debarrr

Metro Denver Office Market Shifts Due to Remote Work



4Q 2020
Total Space =
198.0 MSF

Lease Rate =
\$28.37/sq. ft.

YOY Change
Lease = +2.9%

Under
Construction =
2.82 MSF

2020 YTD
Completions =
1.58 MSF

Source: CoStar Group, Inc.
2021f=DRP Forecast.

Industrial Space Completed in Metro Denver Reaches New Heights



4Q 2020

Total Space=
232.9 MSF

Lease Rate =
\$8.61 NNN

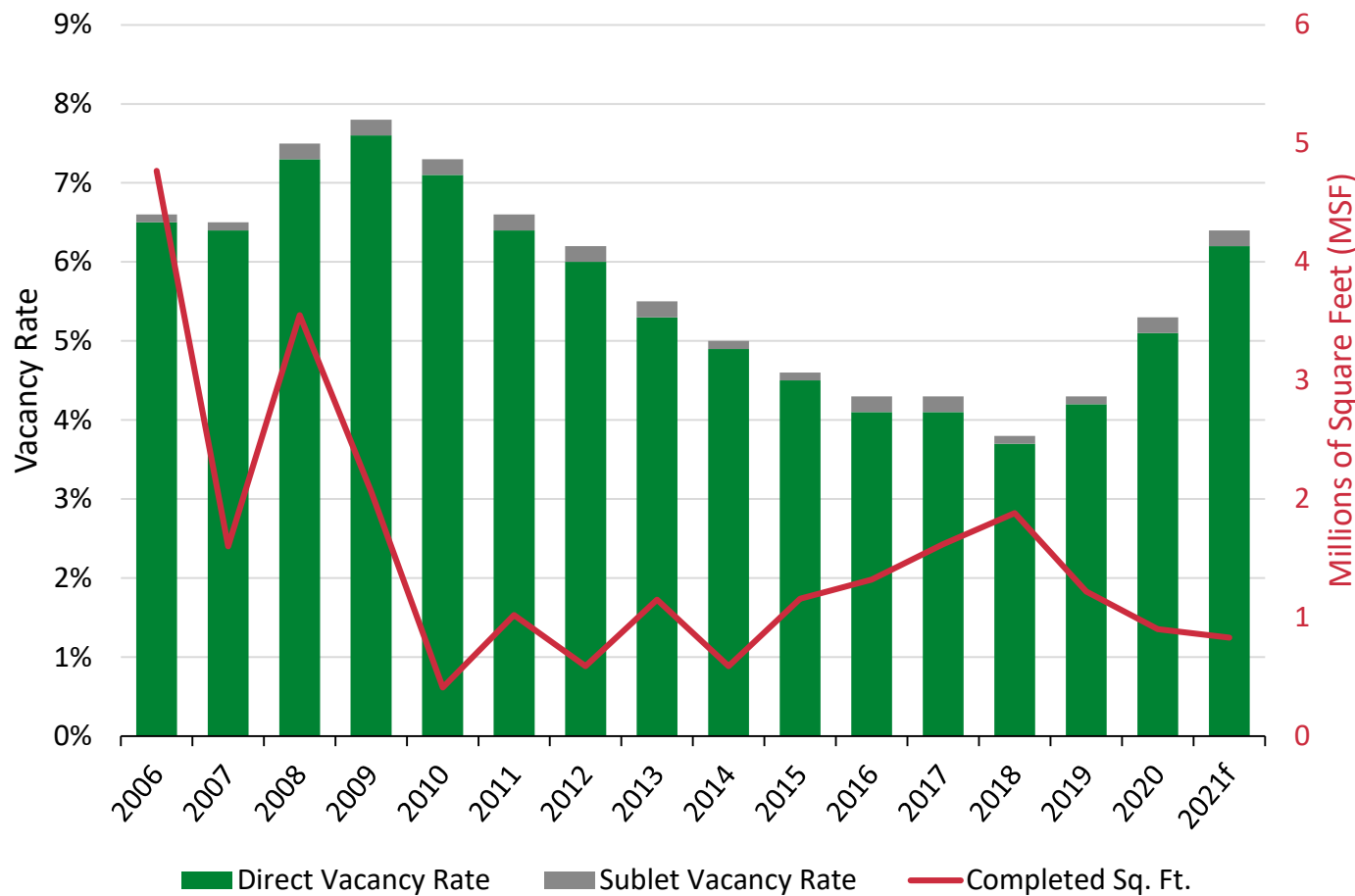
YOY Change
Lease = +2.0%

Under
Construction =
6.14 MSF

2020 YTD
Completions =
4.99 MSF

Source: CoStar Group, Inc.
2021f=DRP Forecast.

Metro Denver Retail Market Experiences Severe COVID Challenges



4Q 2020

Total Space=
174.7 MSF

Lease Rate =
\$18.87 NNN

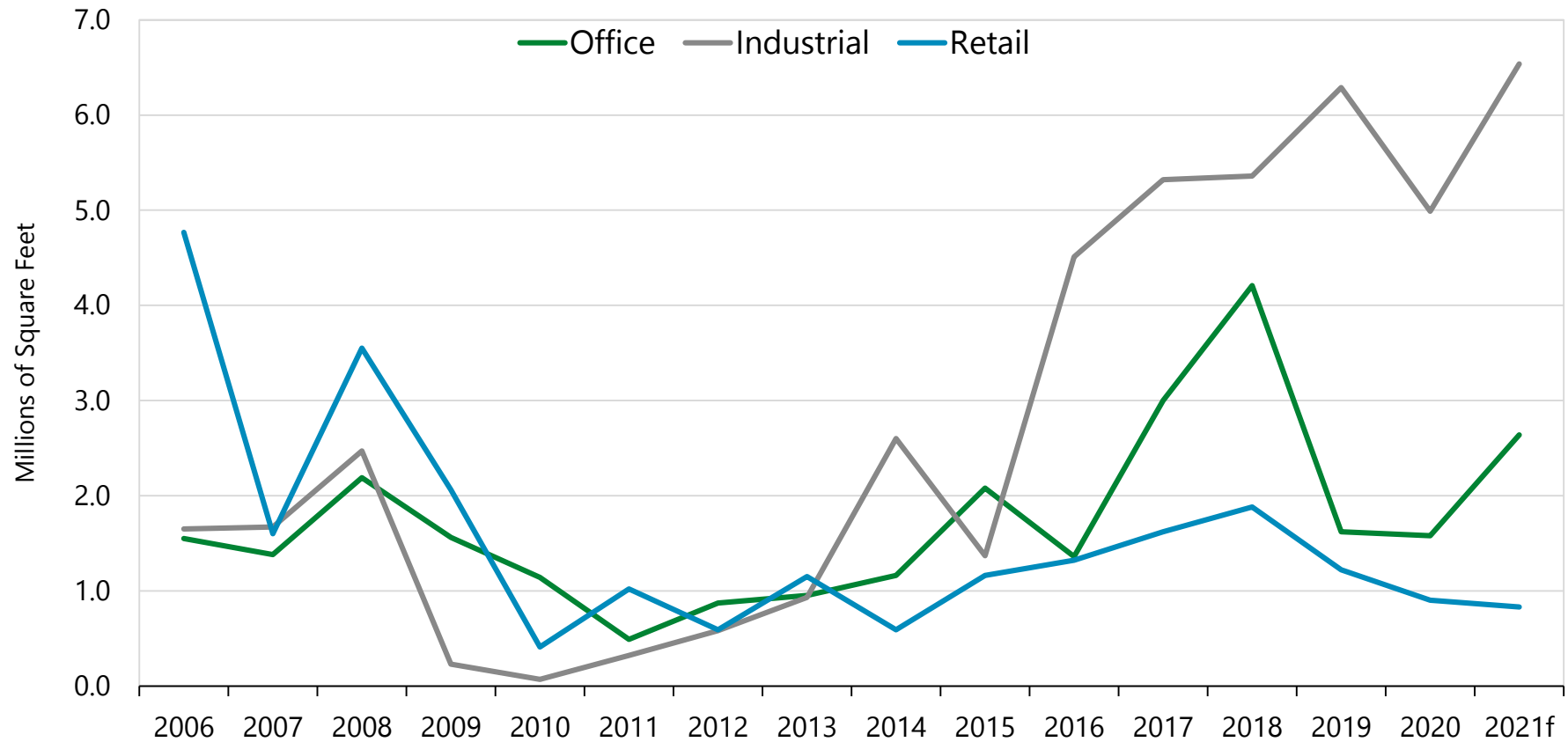
YOY Change
Lease = +1.7%

Under
Construction =
0.58 MSF

2020 YTD
Completions =
0.90 MSF

Source: CoStar Group, Inc.
2021f=DRP Forecast.

2018 Record Year for Square Footage Completed in Metro Denver



Source: CoStar Group, Inc.
2021f=DRP Forecast.

Consumer Activity

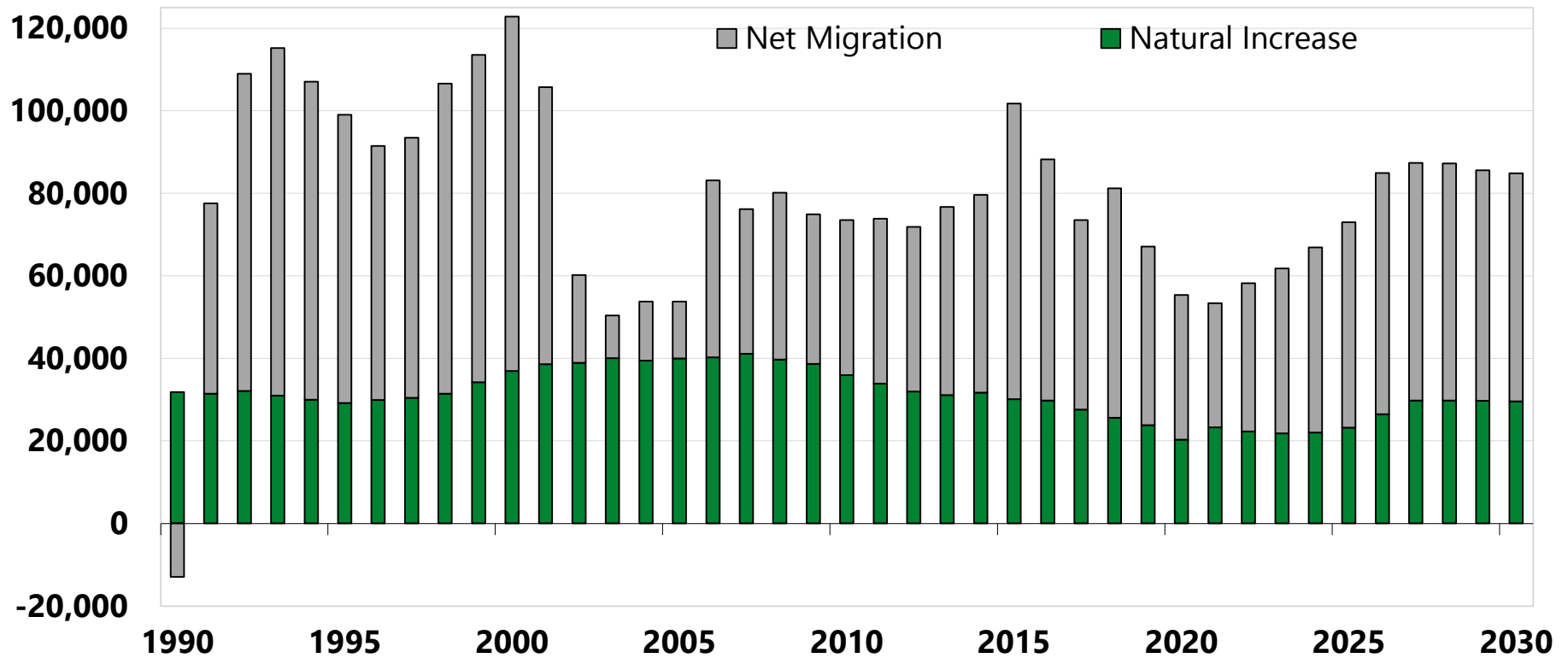
- Population growth
- Age distribution
- Household income
- Spending patterns



© Can Stock Photo / diego_cervo

Colorado Annual Change in Population

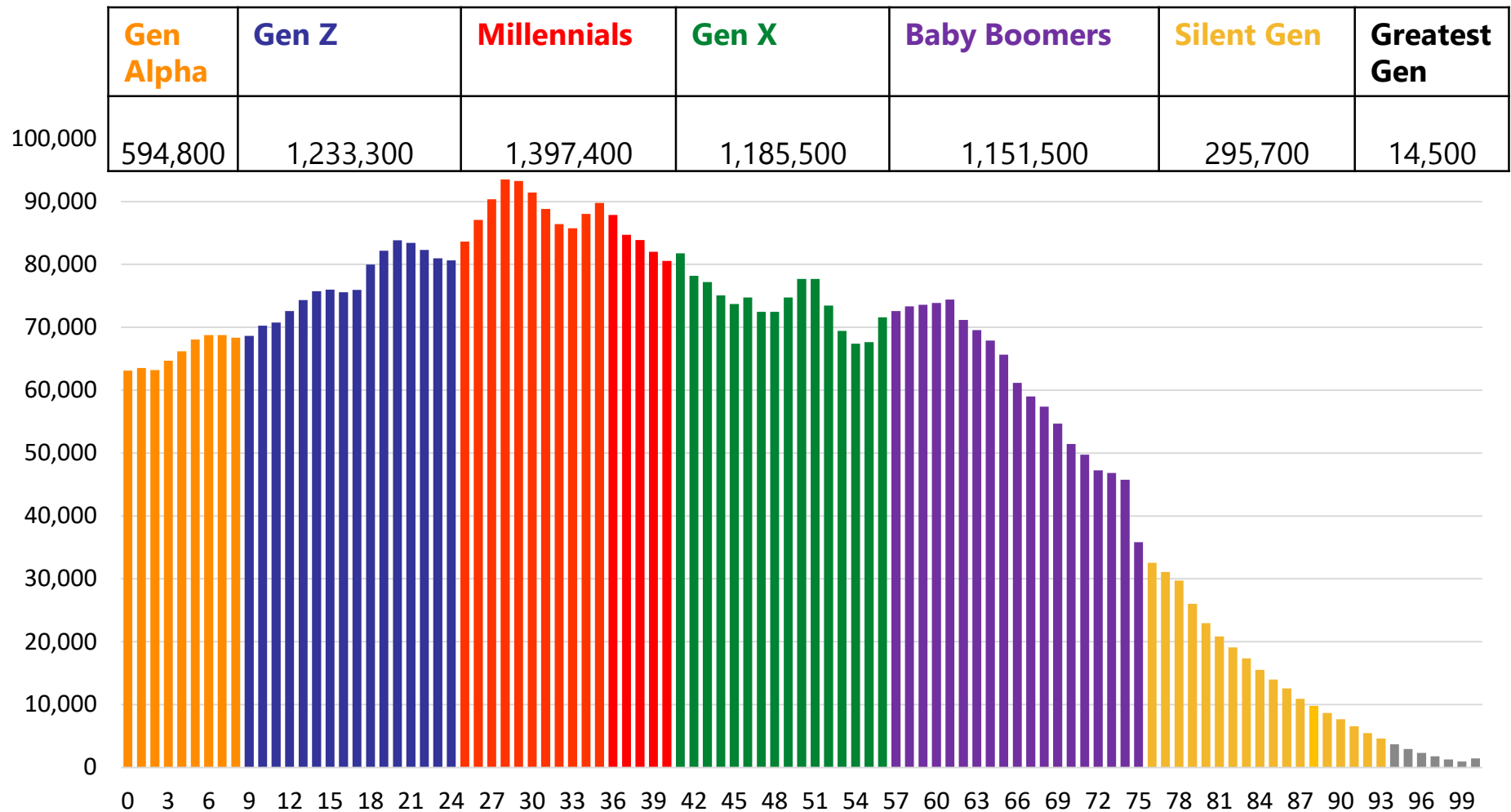
2021 Population = 5.87 Million



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

Colorado 2021 Population = 5.87 M

Millennials Largest Population Group

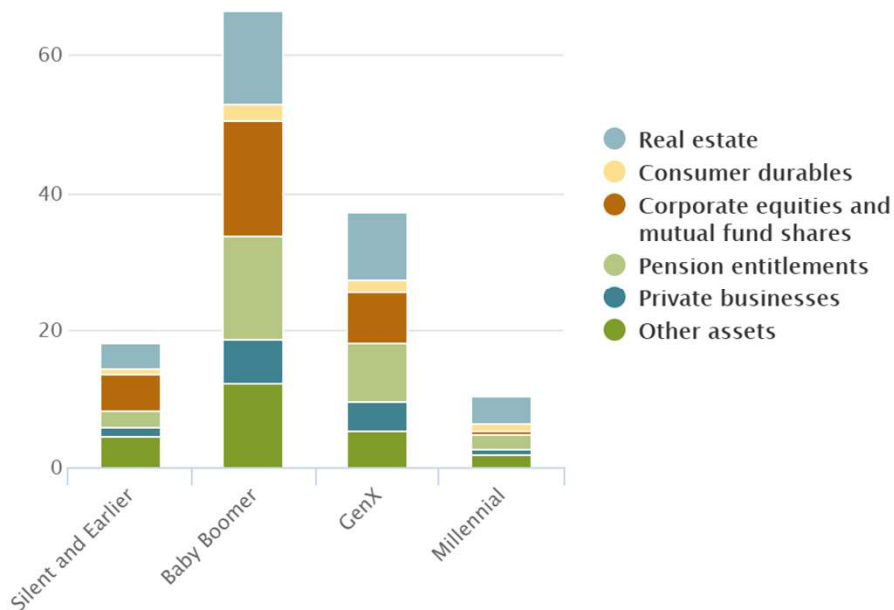


Source: Colorado Division of Local Government, State Demography Office.
Generational groups defined by Pew Research Center, January 2019.

National Distribution of Assets and Liabilities by Generational Group

Assets by generation in 2020:Q3

Trillions of Dollars



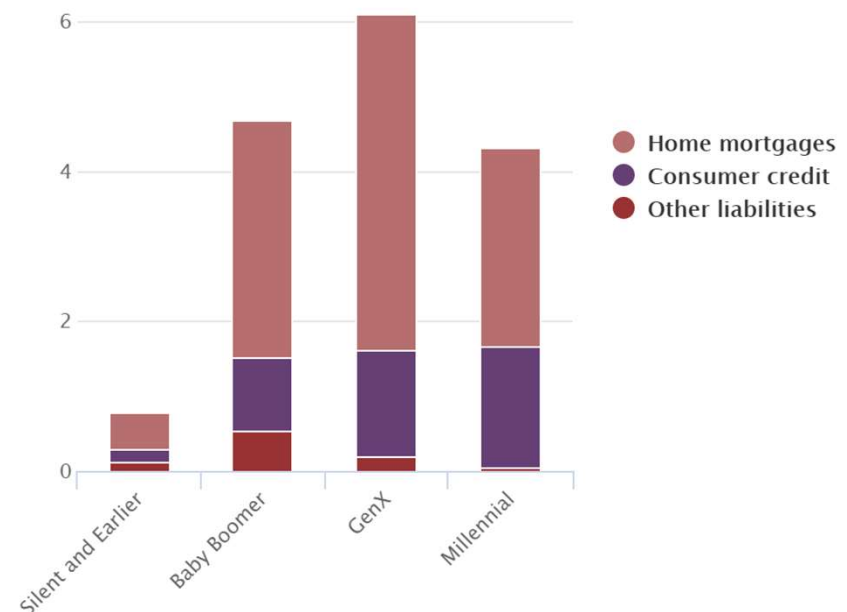
Source: Survey of Consumer Finances and Financial Accounts of the United States

Millennial households own 8% of the assets and owe 27% of the liabilities.
\$6.0T Net Worth

Boomer households own 50% of the assets and owe 30% of the liabilities.
\$61.9T Net Worth

Liabilities by generation in 2020:Q3

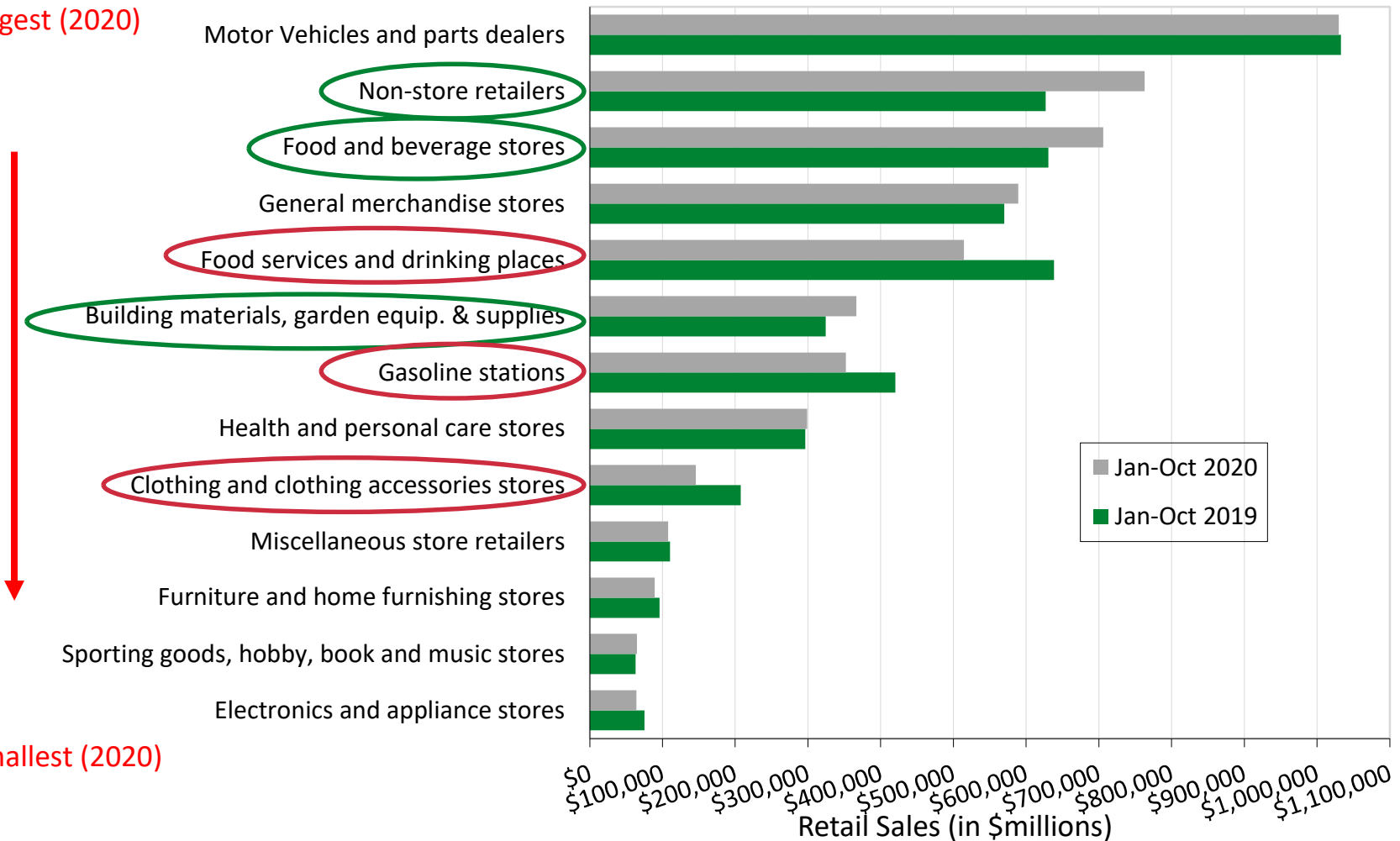
Trillions of Dollars



Source: Survey of Consumer Finances and Financial Accounts of the United States

National Consumer Spending Patterns have Shifted Dramatically

Largest (2020)



Source: U.S. Census Bureau.

Grocery and Retail Solid Performance; Health Spending Down

OPPORTUNITY
INSIGHTS ECONOMIC TRACKER

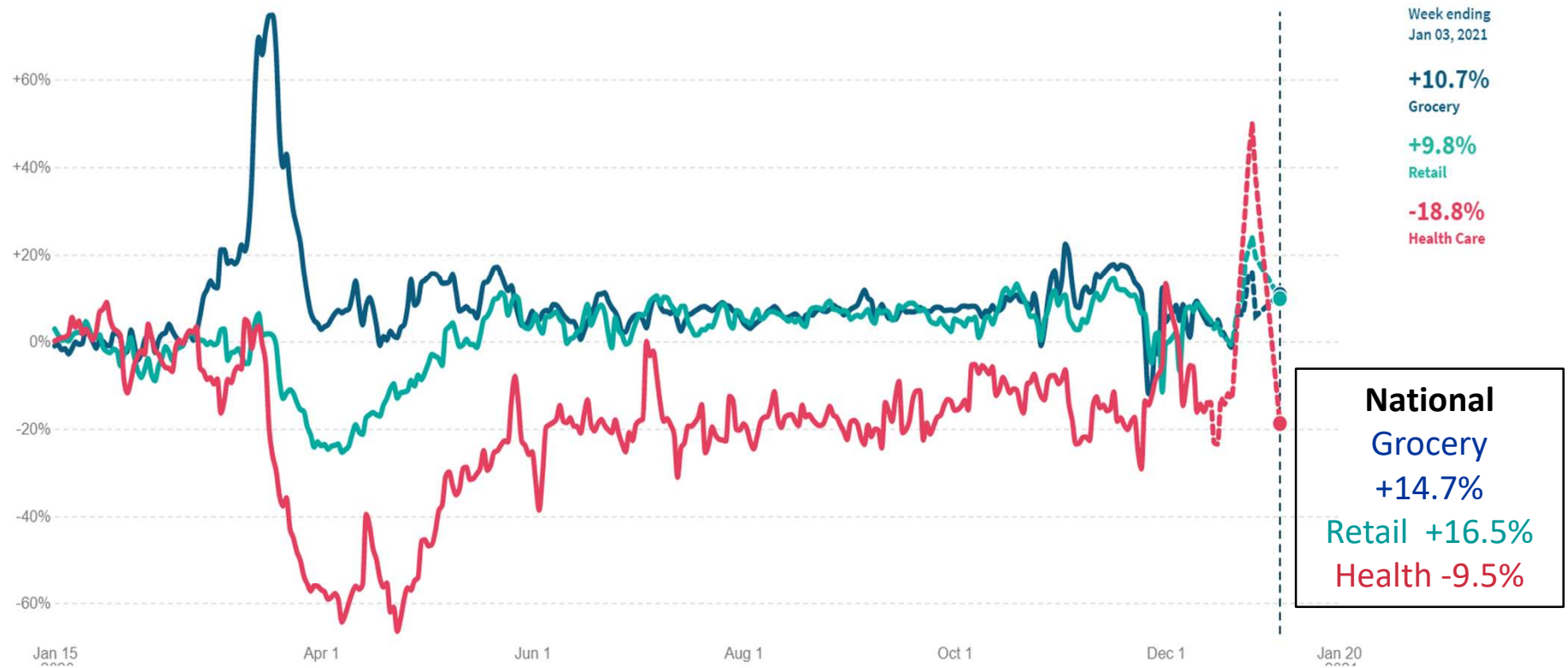
HARVARD
UNIVERSITY

BROWN

BILL & MELINDA
GATES foundation

Percent Change in All Consumer Spending*

In **Colorado**, as of **January 03 2021**, grocery spending by all consumers **increased** by **10.7%** compared to January 2020.



*Change in average consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. The dashed segment of the line is provisional data, which may be subject to non-negligible revisions as newer data is posted. This series is based on data from Affinity Solutions.

last updated: January 13, 2021 next update expected: January 20, 2021

visit tracktherecovery.org to explore

High Touch Industries Experiencing Steep Declines in Consumer Spending

OPPORTUNITY
INSIGHTS ECONOMIC TRACKER

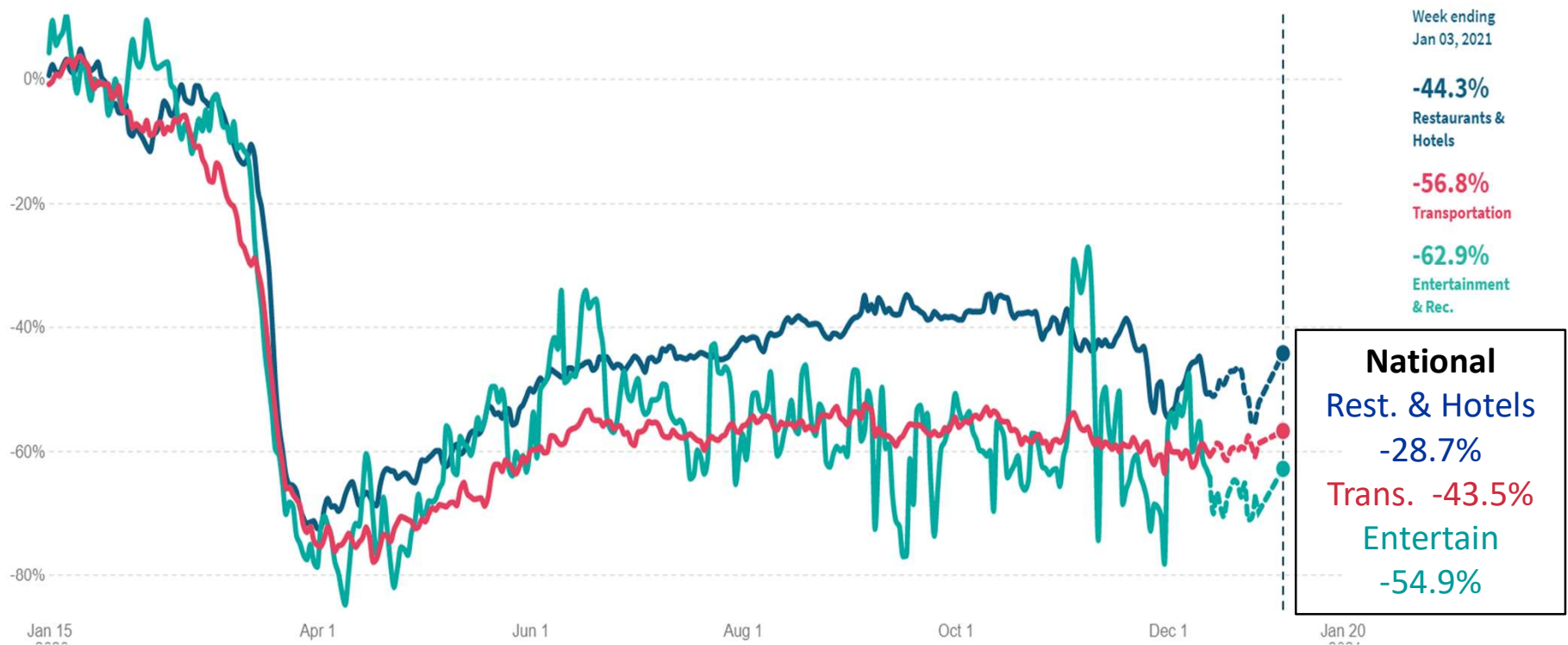
HARVARD
UNIVERSITY

BROWN

BILL & MELINDA
GATES foundation

Percent Change in All Consumer Spending*

In **Colorado**, as of **January 03 2021**, restaurant and hotel spending by all consumers **decreased** by **44.3%** compared to January 2020.

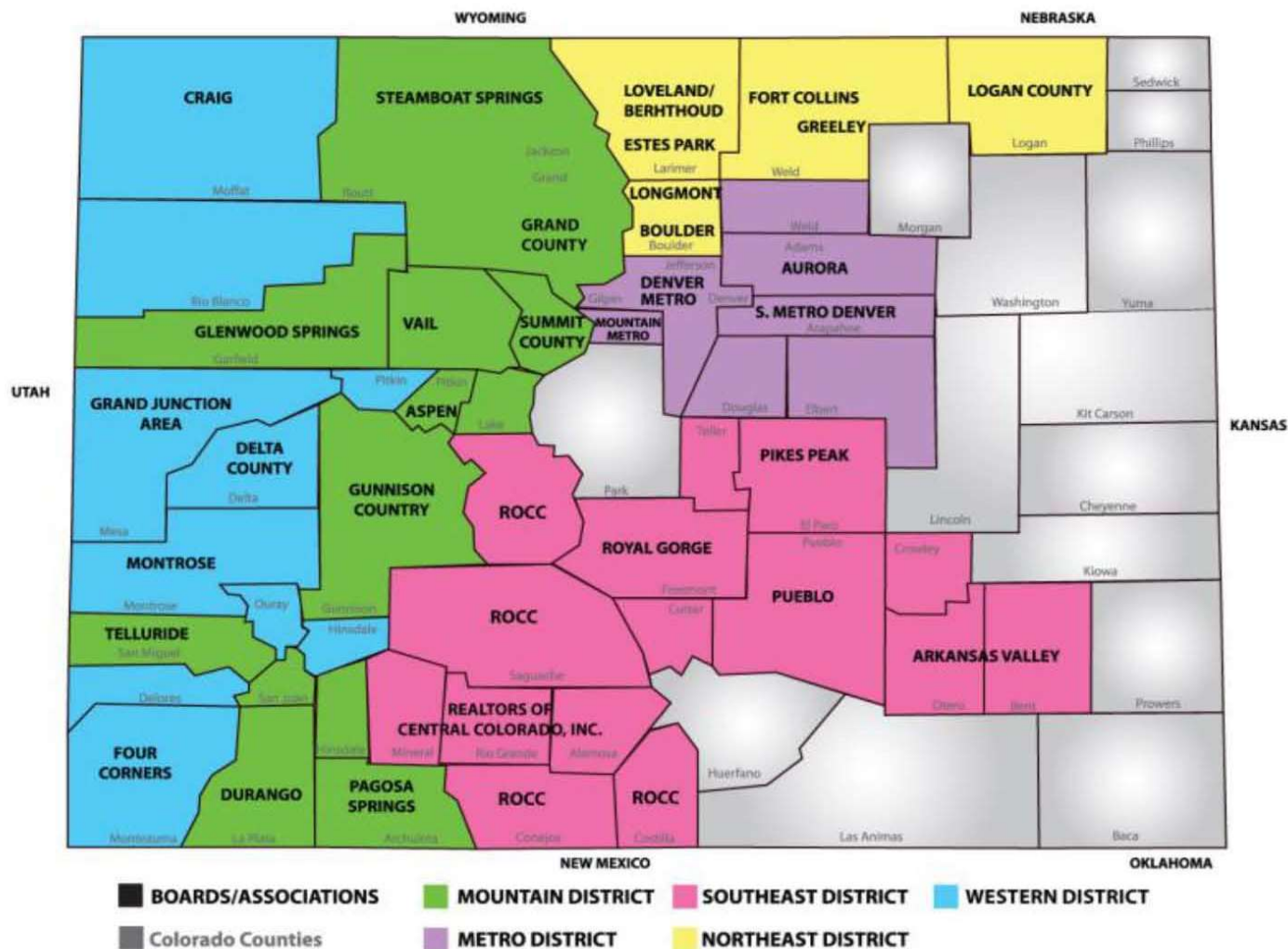


*Change in average consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. The dashed segment of the line is provisional data, which may be subject to non-negligible revisions as newer data is posted. This series is based on data from Affinity Solutions.

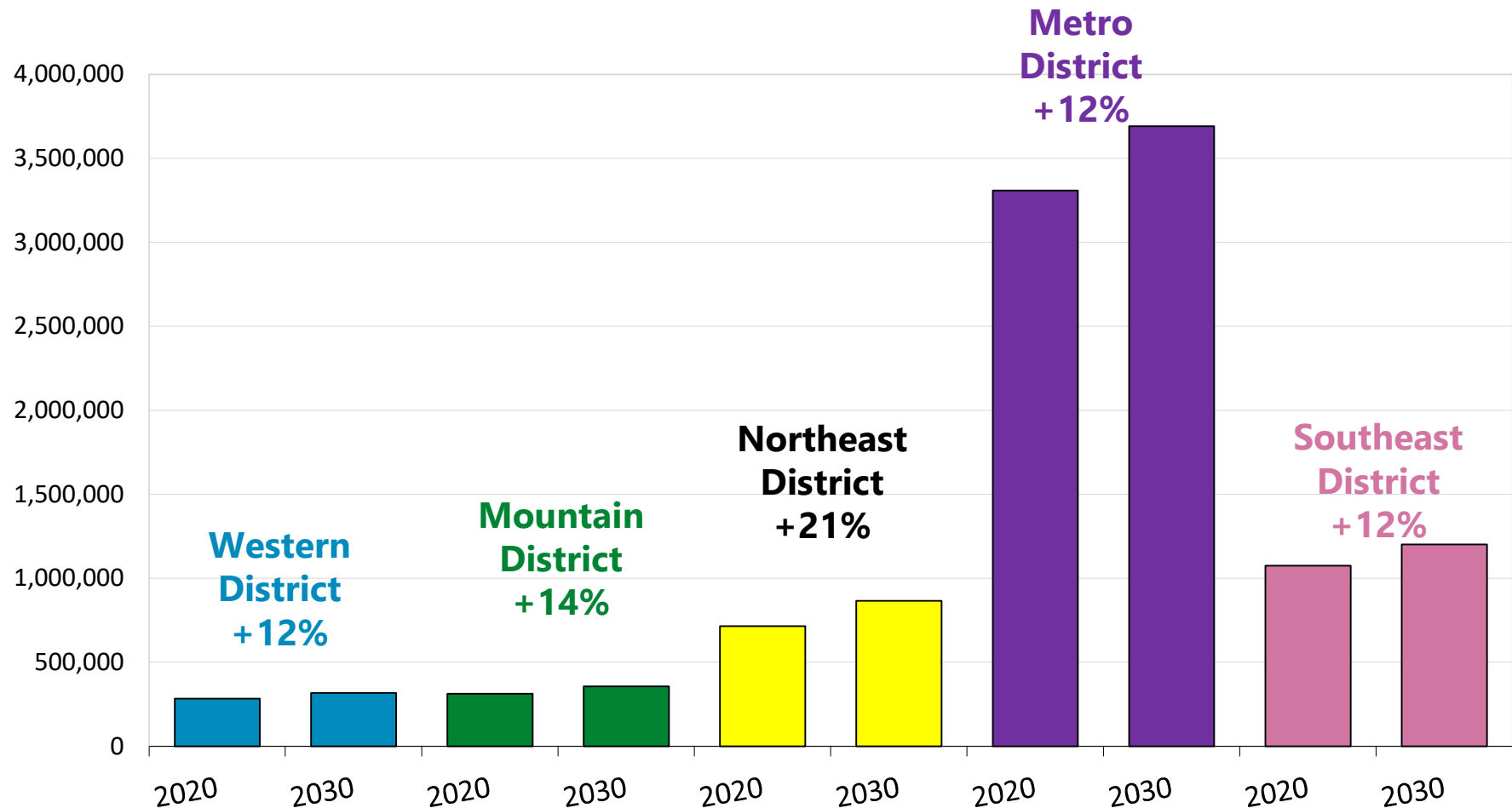
last updated: January 13, 2021 next update expected: January 20, 2021

visit tracktherecovery.org to explore

Colorado Association of REALTORS Districts



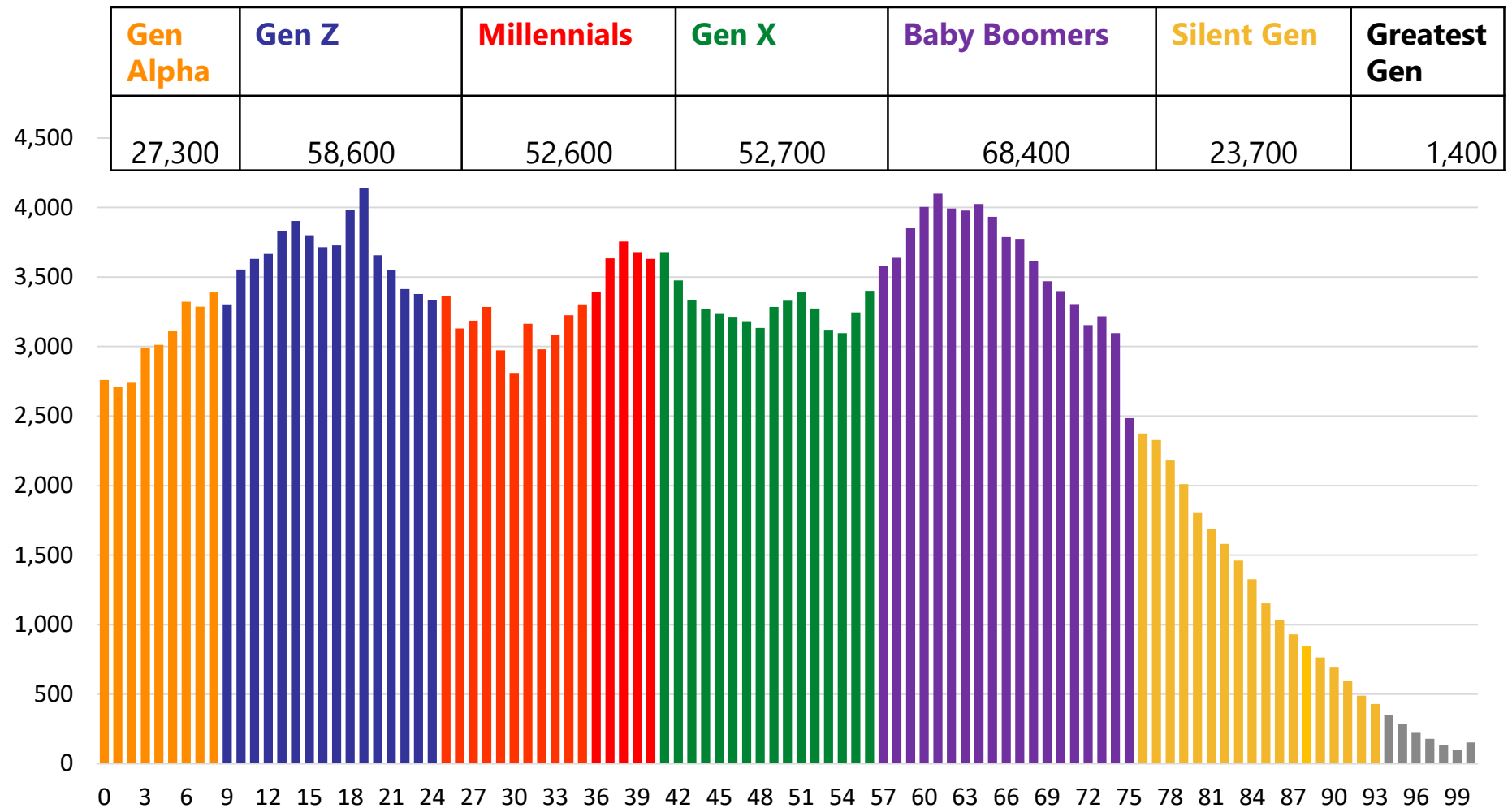
57% of State's Population is in Metro District; Fastest Growth Expected in Northeast



Source: Colorado Association of REALTORS, Local Market Updates for December 2020.

Western District 2021 Population = 284,700

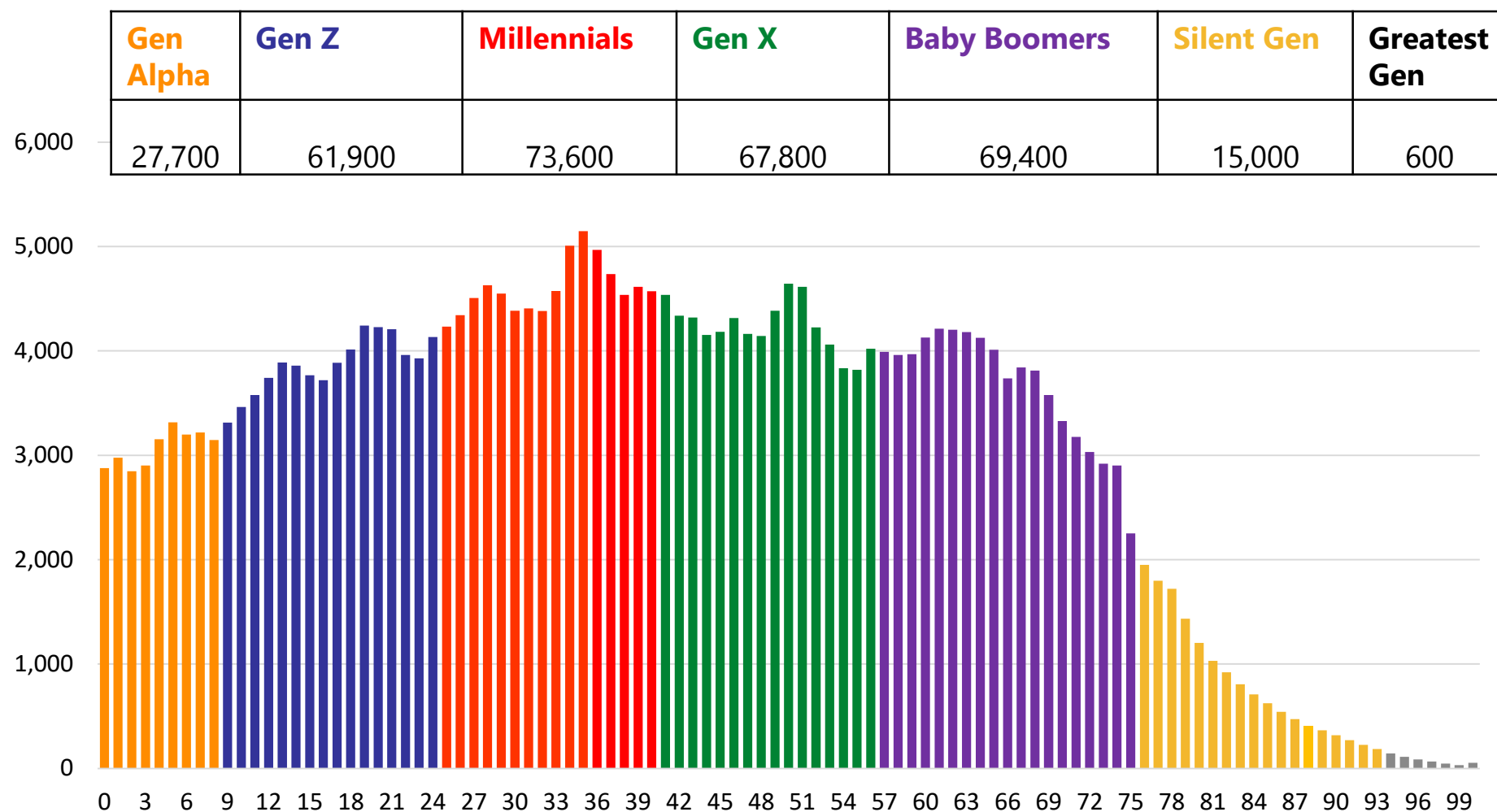
Boomers Largest Population Group



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

Mountain District 2021 Population = 316,000

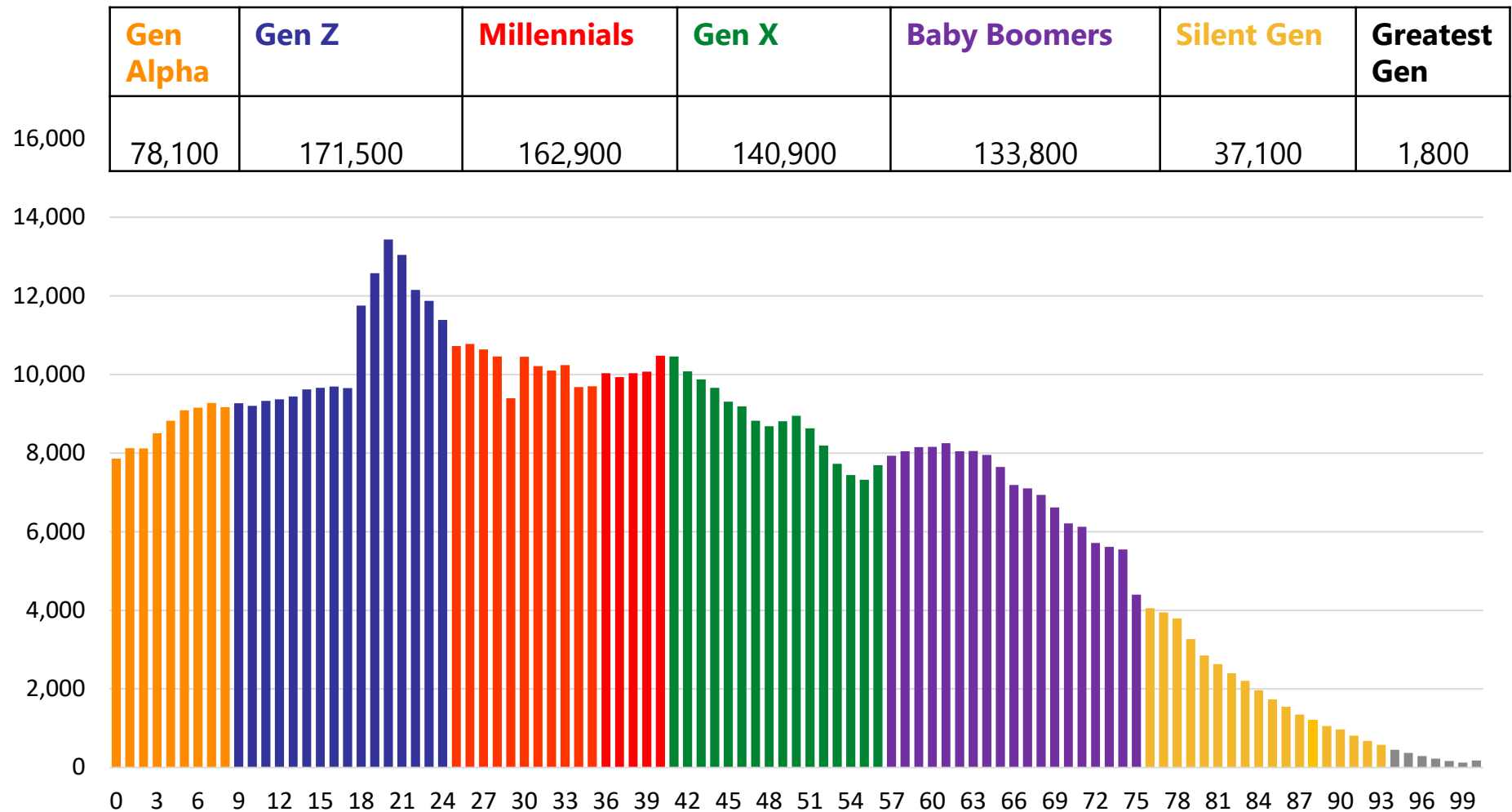
Millennials Largest Population Group



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

Northeast District 2021 Population = 726,100

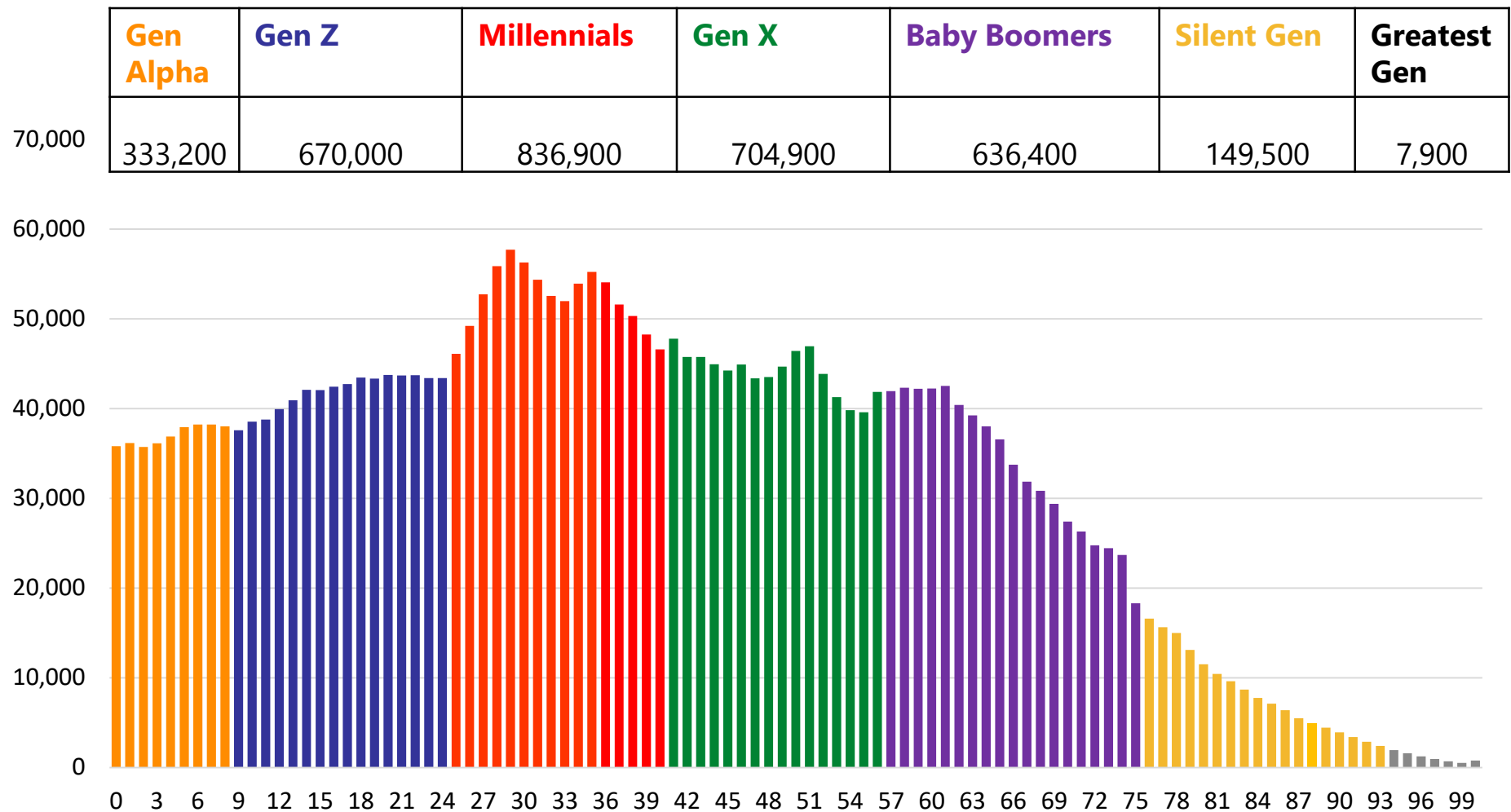
Gen Z Largest Population Group



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

Metro District 2021 Population = 3.34 M

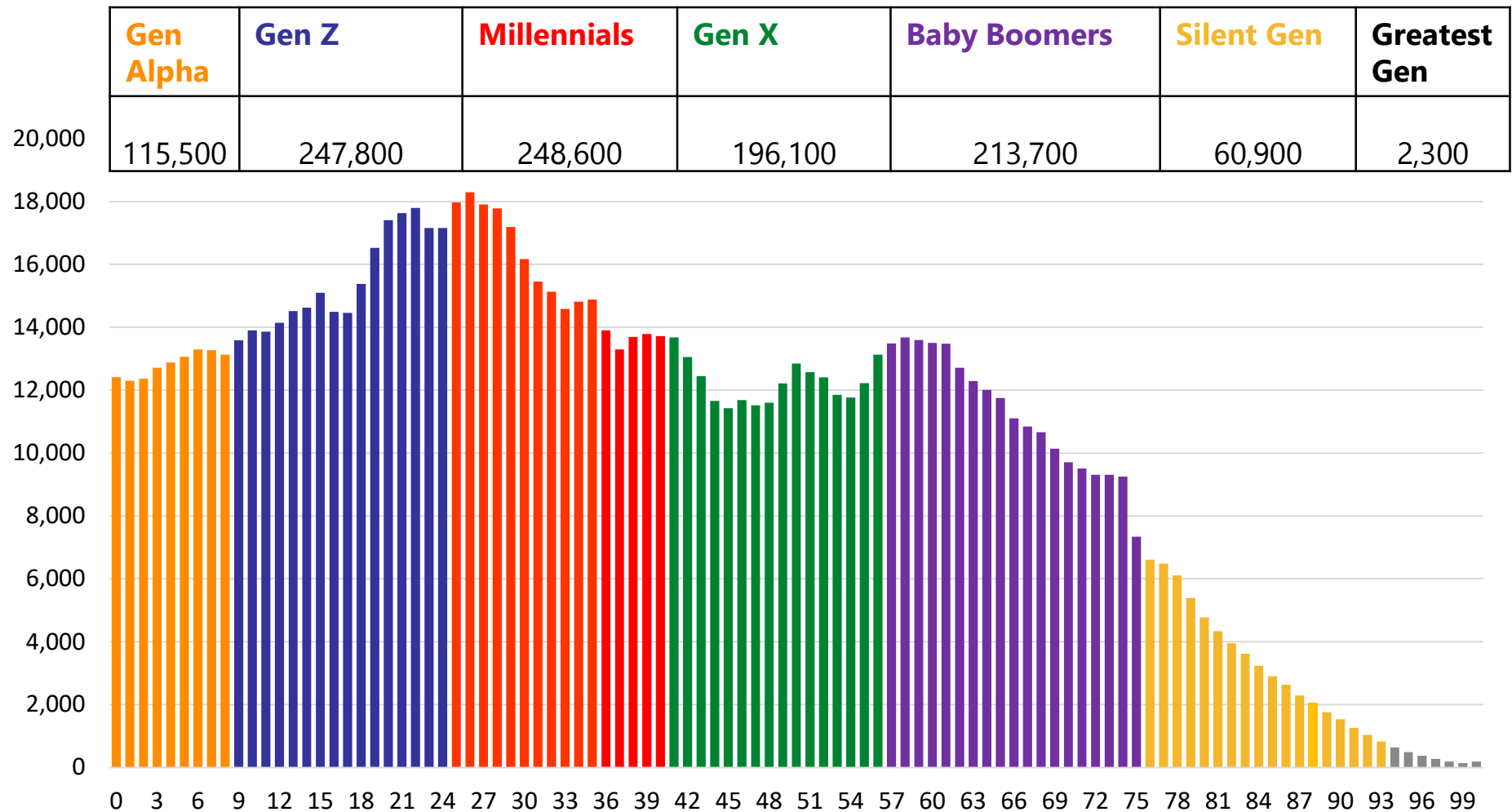
Millennials Largest Population Group



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

Southeast District 2021 Population = 1.08 M

Millennials and Gen Z About Equal



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

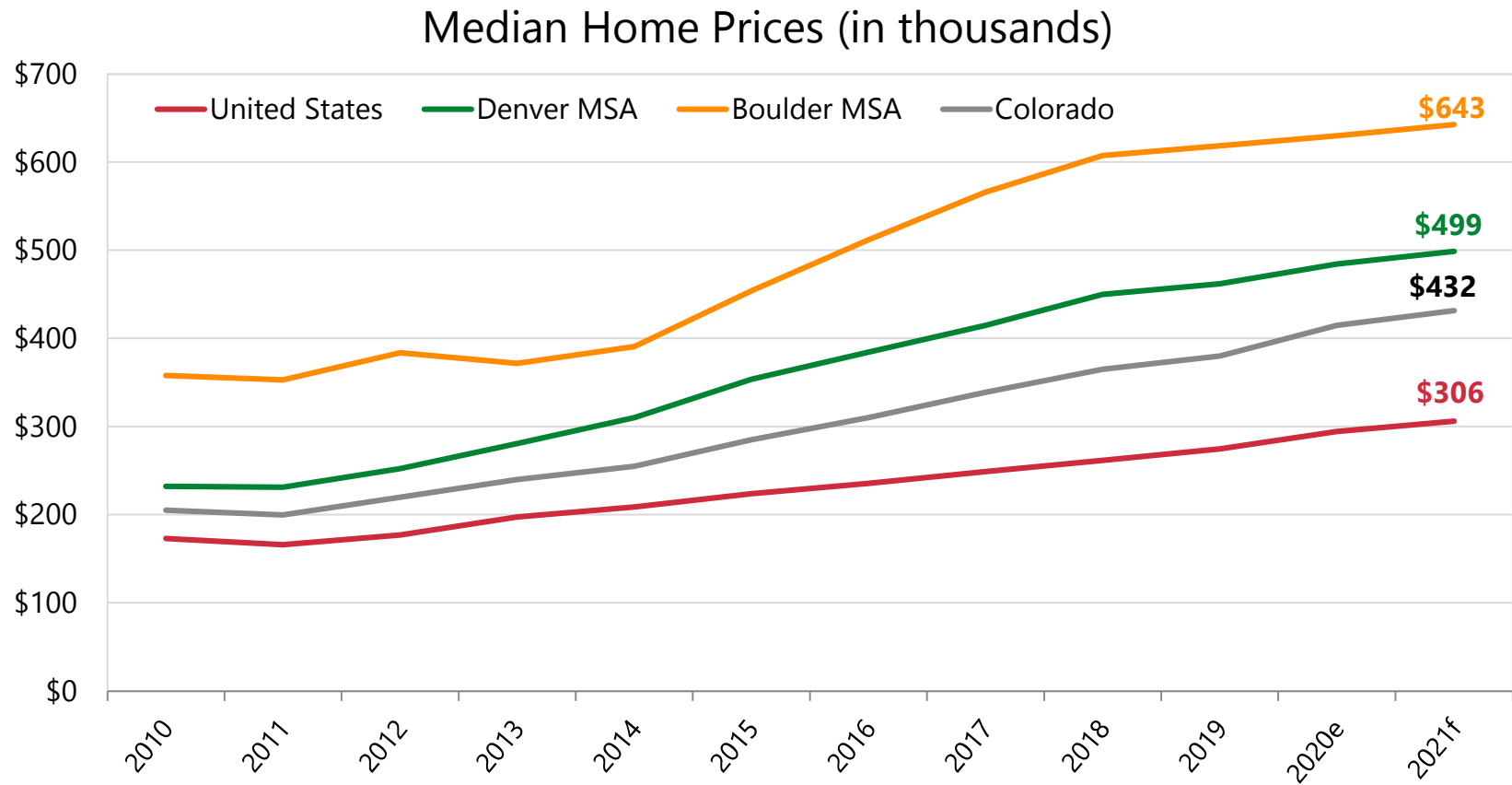
Residential Real Estate



© Can Stock Photo / AlienCat

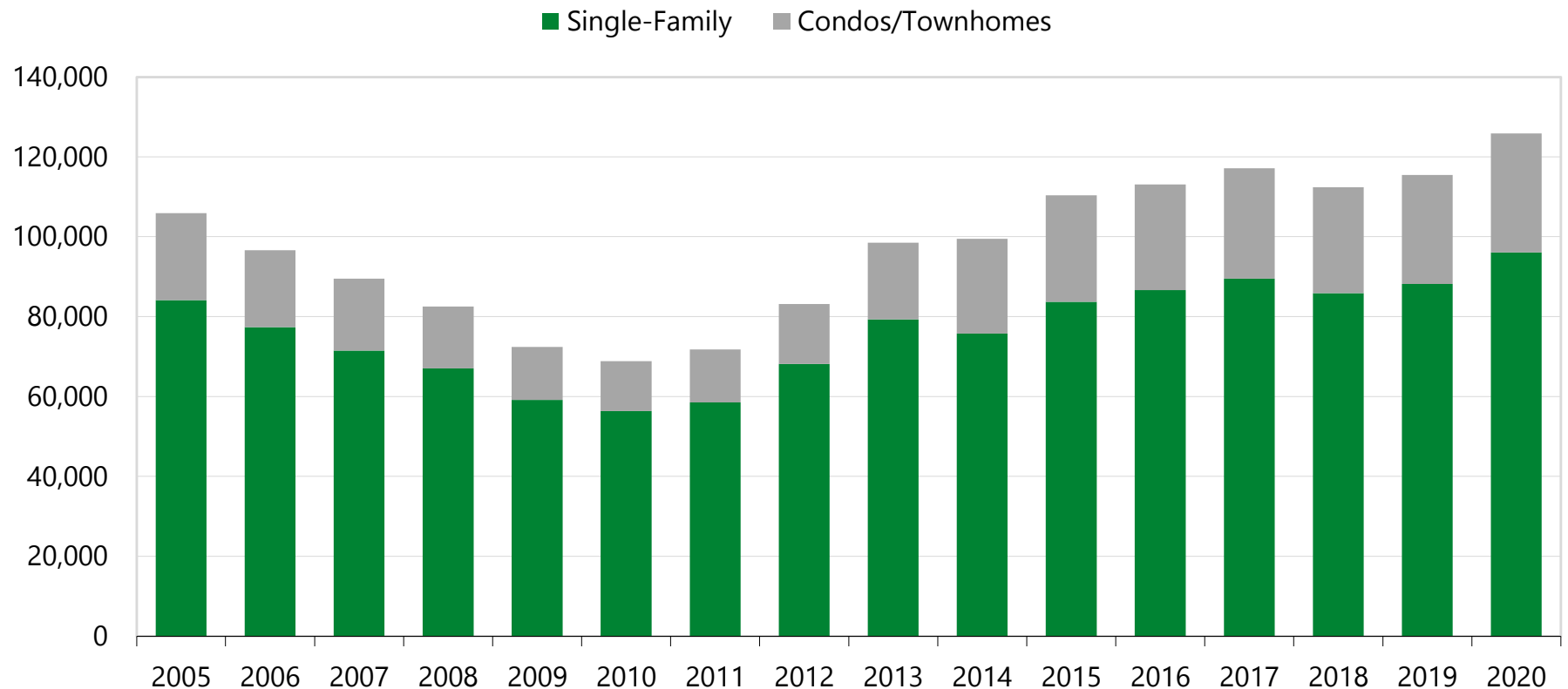
- Home prices
- Sales activity
- Apartment market
- New construction

Denver MSA #13 and Boulder MSA #7 for Highest Median Home Price, 3Q 2020



Low Interest Rates (< 3%), Low Inventory Dominate the Home Sales Environment

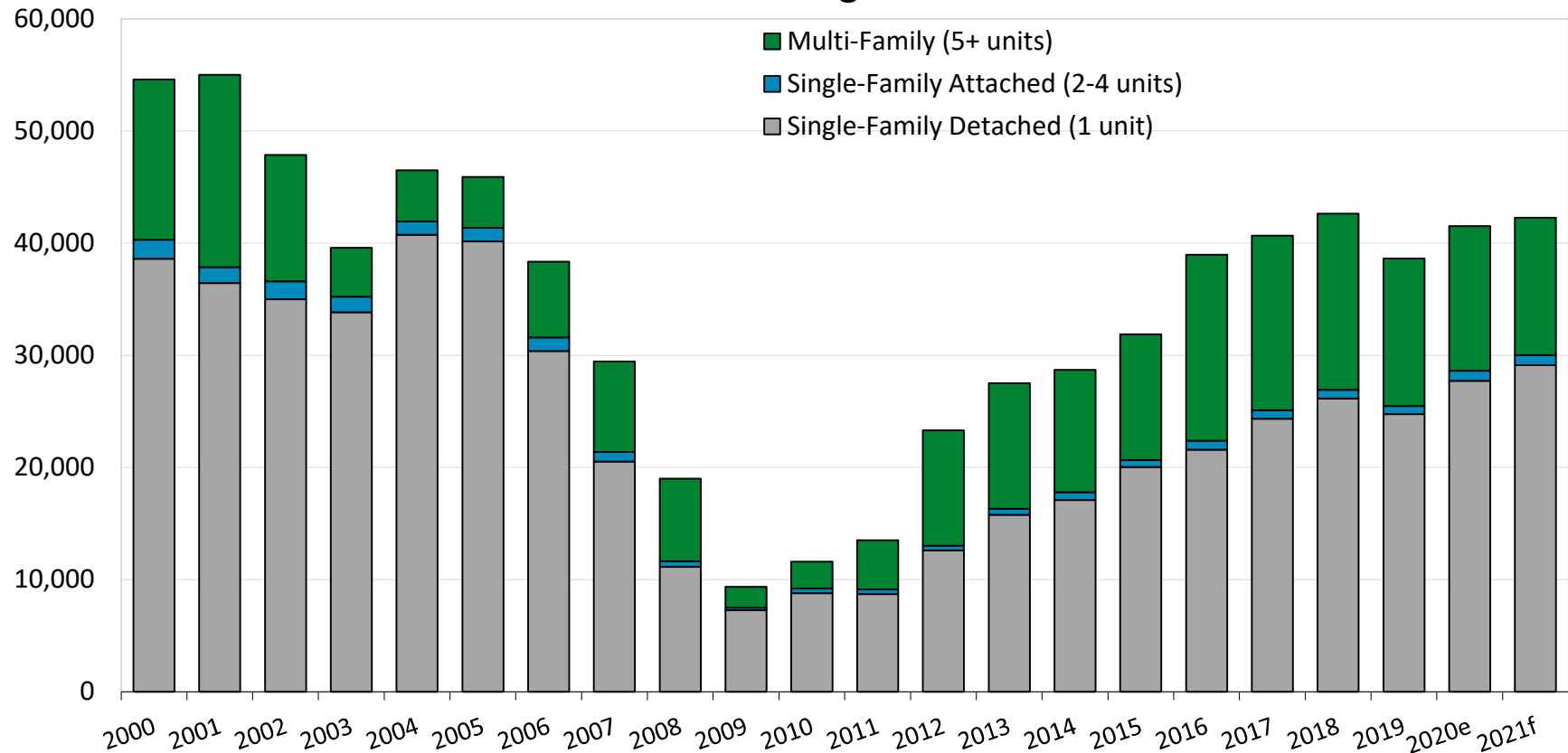
Number of Existing Homes Sold in Colorado



Source: Colorado Association of Realtors.

Permits declined 9.4% in 2019; expect 7.5% increase in 2020

Colorado Building Permits*

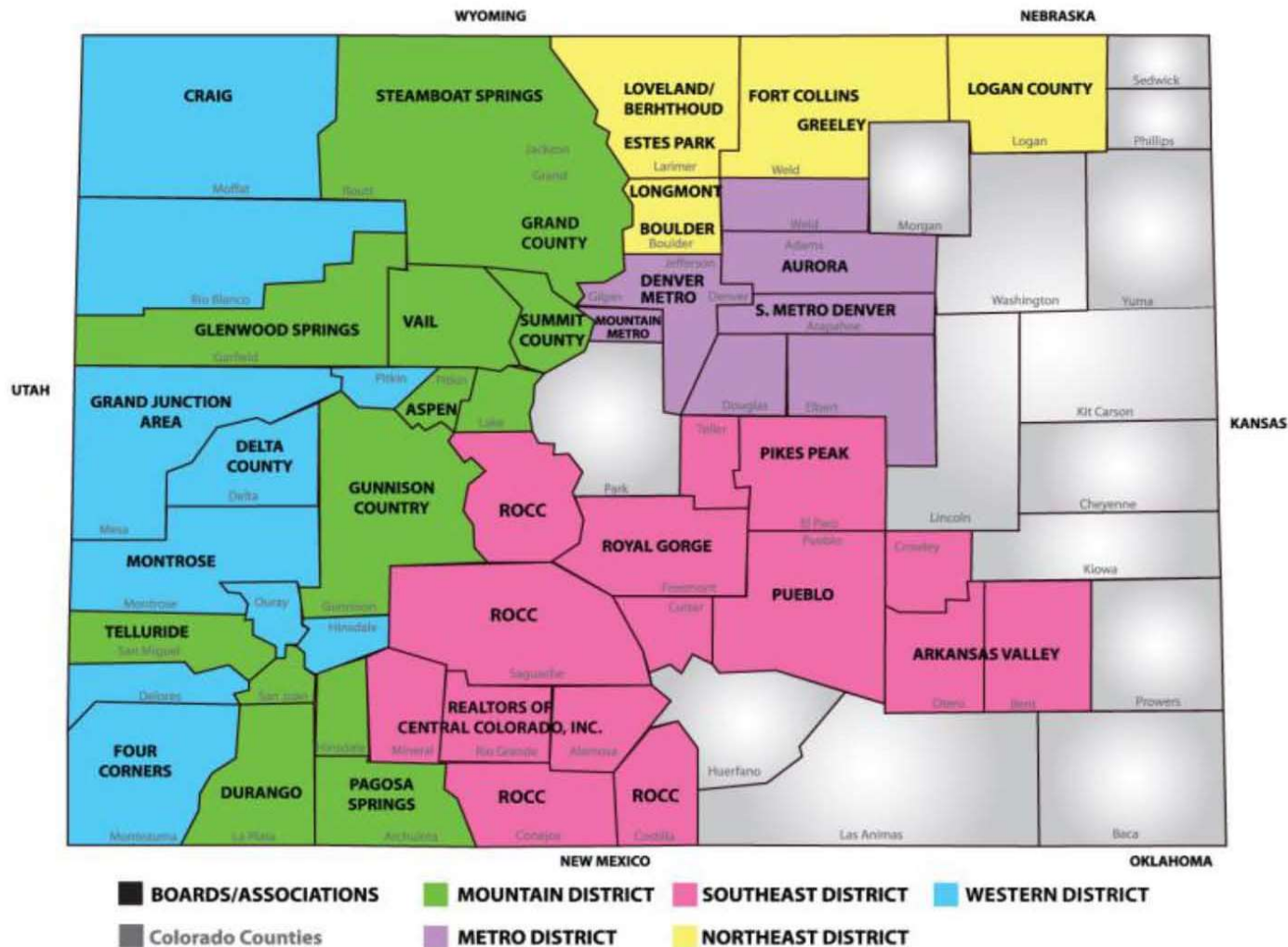


* The Census Bureau tracks building permits by the number of housing units in the structure.

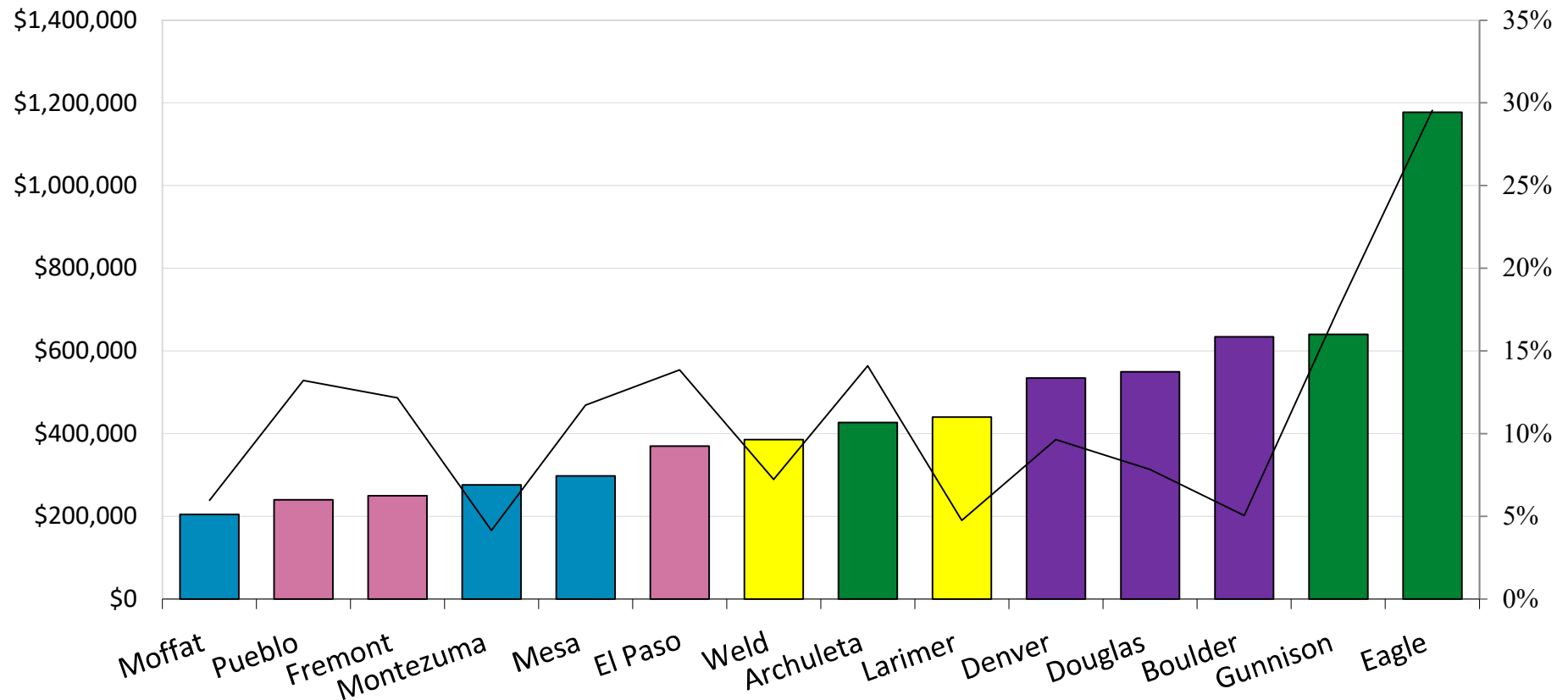
Source: U.S. Census Bureau, Building Permits.

2020e=DRP Estimate; 2021f=DRP Forecast.

Colorado Association of REALTORS Districts

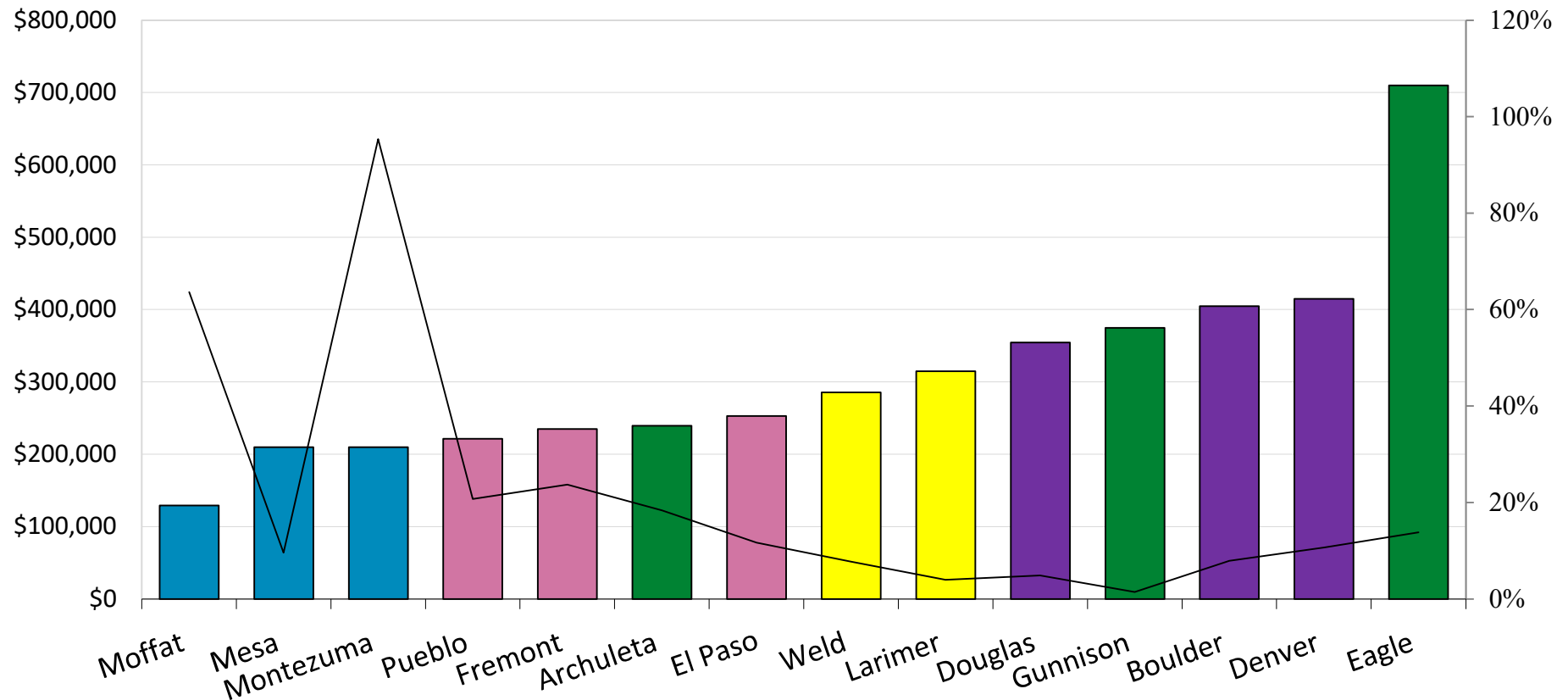


Single-Family Detached Median Prices and 2020 Home Appreciation Rates Vary Widely



Source: Colorado Association of REALTORS, Local Market Updates for December 2020.

Single-Family Attached Median Prices and 2020 Home Appreciation Rates Vary Widely



Source: Colorado Association of REALTORS, Local Market Updates for December 2020.

Questions?

Development Research Partners

10184 West Belleview Avenue, Suite 100

Littleton, Colorado 80127

(303) 991-0070

www.DevelopmentResearch.net

Patricia Silverstein, President

Patty@DevelopmentResearch.net