Littleton Housing Overview

Prepared for:

Littleton
ANYTHING BUT LITTLE



Development Research Partners

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EXECUTIVE SUMMARY

The housing market is recovering and contributing to U.S. economic growth once again. Between 2007 and 2011, housing markets were burdened with distressed properties, weak consumer demand, and excessive supply. In 2012, housing markets across the country started to show signs of improvement with home sales at their highest levels in years, historically low interest rates, and increasing demand for existing-home sales and new residential construction.

The housing market recovery is also underway in Metro Denver and appears to be progressing more quickly than markets elsewhere. The region's existing home sales significantly improved during 2012 and record low interest rates are encouraging Metro Denver consumers to seek mortgages and buy houses. Metro Denver home prices are also on a general upward trend and are expected to continue to rise at a faster pace compared with the nation in 2013. Similar to Metro Denver, the City of Littleton's housing market appears to be recovering. However, construction permits for single-family homes have tapered off and the majority of building permits issued in the past five years have been for multi-family developments. Still, sales of existing attached and detached homes continue to trend upward along with average sales prices. Like Metro Denver, the number of foreclosures and the average number of unsold homes has trended downward from year-ago levels.

The purpose of this report is to provide an understanding of the general economic trends and expected market trends influencing residential development in the City of Littleton and the Metro Denver region, as well as Arapahoe and Douglas Counties. Metro Denver is defined as a seven-county region consisting of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson Counties. The analysis considers data from 2003-2013, including 2003–2012 actual data and 2013 forecasts.

Economic Overview

The U.S. economy steadily emerged from the 2007 recession with noticeable gains occurring between 2010 and 2012. Like the nation, Metro Denver experienced significant job losses throughout the recession and struggled to gain momentum during the recovery. However, Metro Denver is expected to achieve full economic recovery in 2013—meaning that all jobs lost during the recent recession will be regained—and will begin its new growth path. As economic growth continues and consumer sentiment improves, the unemployment rate will decline. Although the improving economy will lead to an eventual rise in inflation and interest rates from their current low levels, mortgage rates are expected to average below 4 percent in 2013, with higher rates in the latter half of the year offset by the low rates posted earlier in the year. Indeed, the average rate for a 30-year fixed rate mortgage jumped to about 4.1 percent in June from 3.5 percent in May. Through the week of July 25th, the weekly rate has averaged about 4.4 percent.

Throughout the recent recession and recovery, Metro Denver's unemployment rate stayed below the national average. Metro Denver's unemployment rate peaked in 2010—the highest point since the mid-1980s—but fell to 7.7 percent in 2012. In 2013, Metro Denver's unemployment rate is expected to remain below the national average of 7.9 percent. Historically, unemployment trends in Arapahoe and Douglas Counties have mirrored those in Metro Denver. The unemployment rates in Arapahoe and Douglas Counties shed roughly one percentage point each in 2012 to reach their lowest annual rates since 2008. Littleton's unemployment rate peaked in 2011 at 7.9 percent, which was still 0.5 percentage points below the Metro Denver rate, and fell sharply in 2012 to 7.1 percent.

Employment growth in Metro Denver is expected to outpace the nation, buoyed by several sectors: professional and business services, wholesale and retail trade, educational and health services, and natural resources and construction. Arapahoe and Douglas Counties account for 28 percent of the region's total jobs, and even though both counties experienced job losses throughout the recession, they added jobs in 2011 and 2012.

Surprisingly, Metro Denver wages increased on an average annual basis throughout the recession even though the economy struggled and job losses persisted. Like Metro Denver, wages increased in Douglas and Arapahoe Counties throughout the economic downturn but wages grew at a faster pace in Douglas County.

Housing Trends

Littleton's housing market is characterized by a generally older stock of homes than many of the surrounding communities and the Metro Denver region as a whole. Most of the homes in Littleton were built before 1980 (53.5 percent) and home building activity peaked in Littleton during the 1970s. Newer homes, or those built in 1990 or later, account for about 27.3 percent of Littleton's housing stock. A higher percentage of Littleton's housing is concentrated in multi-family units compared with the other regions and the city's apartment market has benefited from higher than average lease rates and generally lower vacancy rates than Metro Denver. Littleton's housing market has been influenced by several trends.

- **Population:** Littleton's population growth averaged 0.3 percent per year between 2003 and 2011, growing slower than the Metro Denver region (1.5 percent) and both Arapahoe (1.6 percent) and Douglas Counties (3.5 percent). Even though population has grown relatively slowly, Littleton posted its strongest years of growth in 2010 and 2011.
- **Population by Age:** Littleton has a slightly older population with a median age of 41.7 years compared with Arapahoe County (36.0 years), Douglas County (37.1 years), and Metro Denver (36.1 years). In 2011, the city's share of population age 65 and older increased to 16 percent compared with 10.4 percent in Metro Denver.
- **Household Income:** Littleton's median household income of $55,944 in 2011 is lower than in Arapahoe County ($58,245), Douglas County ($98,695), and Metro Denver ($60,452).
- **Residential Construction Activity:** Single-family detached building permits reached a recent peak in 1996 in Littleton and have since tapered off. Most of the building permit activity in the past five years has been for multi-family developments. Unlike Littleton, Metro Denver's residential building permit activity has increased steadily since 2009. Although single-family detached dwellings represent the majority of the construction, multi-family development represented nearly 34 percent of all new residential units in 2012, an historic high.
- **Existing Single-Family Market:** Similar to Metro Denver, sales of existing single-family attached and detached homes in Littleton have been consistently higher than year-ago levels since the third quarter of 2011 and average sales prices have also trended upward. About 70 percent of Littleton's home sales were priced under $300,000 in 2012, while homes priced over $500,000 comprised 6.5 percent of sales. The unsold inventory of homes has decreased in all areas and the average number of days on the market for sold properties has declined. Foreclosure filings continue to drop and are expected to decline again in 2013.
- **Existing Apartment Market:** The average lease rate for apartments in the Littleton market has climbed significantly in the past five years and has been generally at or above the average across Metro Denver in recent years. Lease rates have been bolstered by low vacancy rates. In the Littleton market, the apartment vacancy rate dipped to 3.5 percent in the first quarter of 2013, compared with 4.6 percent throughout Metro

Denver. In fact, the vacancy rate in Littleton has generally been lower than the rate in Metro Denver, rising above the Metro Denver rate only five times in the past 10 years.

- **Transit-Oriented Development:** The City of Littleton has two light rail stations along the Southwest rail line, one located in downtown and the other at Mineral Avenue and South Santa Fe Drive. These two stations continue to support residential development activity and serve as catalysts for transit-oriented development (TOD). About 85 percent of the residential development either completed or under construction in Metro Denver's TOD areas—defined to be within a one-half mile radius of a light rail station—is multi-family development.

INTRODUCTION

The housing market is recovering and contributing to U.S. economic growth once again. Between 2007 and 2011, housing markets were burdened with distressed properties, weak consumer demand, and excessive supply. In 2012, housing markets across the country started to show signs of improvement with home sales at their highest levels in years, historically low interest rates, and increasing demand for existing-home sales and new residential construction.

For the first time since 2006, housing is on target to be a net positive contributor to Gross Domestic Product (GDP) and the Federal Reserve's accommodative monetary policy has kept mortgage rates low. Further, affordable prices and rising rents have bolstered consumer confidence. Even though uncertainty over the fiscal cliff, the sovereign debt crisis, and natural disasters continue to weigh on consumer's minds, the housing market continues to gain momentum and home values are moving higher in many regions across the country.

Metro Denver's housing market appears to be recovering more quickly than markets elsewhere. The region's existing home sales significantly improved during 2012, with home sales closed rising 17.5 percent over 2011 sales. Like the nation, record low interest rates are encouraging Metro Denver consumers to seek mortgages and buy houses. Since the beginning of 2012, home prices are also on a general trend upward in Metro Denver: the median home price increased about 6.9 percent in 2012 and is expected to continue to rise at a faster pace in Metro Denver compared with the nation in 2013.

Metro Denver's new home construction activity troughed in 2009 and has slowly increased each year through 2012. Building permit activity in Metro Denver peaked in 2000, and by 2009 permit activity had fallen nearly 88 percent below the peak. Single-family detached dwellings dominate the new residential market both historically and currently, falling below 50 percent of permitted units just twice since 1990, in 2007 and 2008. In 2012, single-family detached permits comprised about 56 percent of the building permit activity. Demographic data and anecdotal reports suggest housing demand is growing. Metro Denver continues to attract new residents, and stronger-than-average job growth over the past year has added to the area's appeal for relocating households. Low existing housing inventory for sale also signals that households will turn to building new homes.

Similar to Metro Denver, the City of Littleton's housing market appears to be recovering. However, construction permits for single-family homes have tapered off and the majority of building permits issued in the past five years have been for multi-family developments. While this is partly a function of market issues, the lack of single-family detached construction is also due to the fact that Littleton is largely built out and has limited land available for such development. Still, the average sales price and sales of existing attached and detached homes continue to trend upward. Like Metro Denver, the number of foreclosures and the average number of unsold homes have trended downward from year-ago levels.

The purpose of this report is to provide an understanding of the general economic trends and expected market trends influencing residential development in the City of Littleton and the surrounding Metro Denver region, as well as Arapahoe and Douglas Counties.

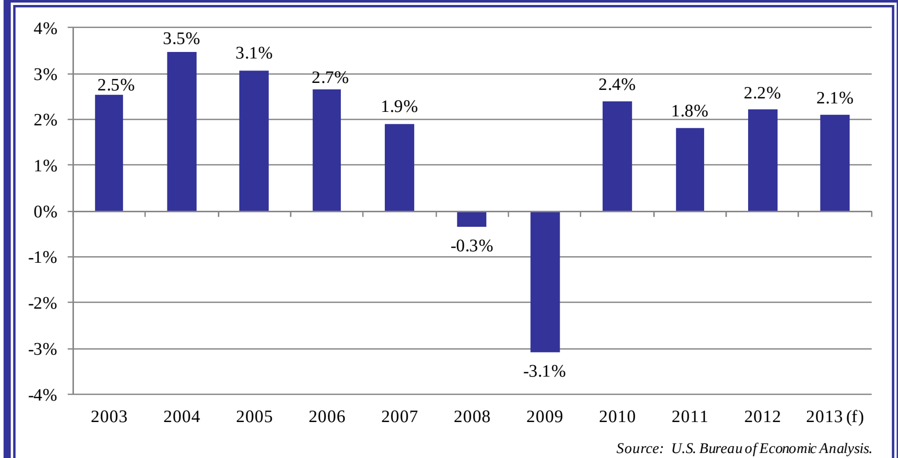
Metro Denver is defined as a seven-county region consisting of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson Counties. In general, the analysis considers data from 2003 to 2013, including 2003 – 2012 actual data and 2013 forecasts. Development Research Partners (DRP) believes that the data and information used throughout this report is from sources deemed reliable but is not guaranteed. All forecasts herein were developed by DRP unless otherwise noted. DRP did not attempt to make forecasts for certain micro-level indicators due to the unforeseen variability associated with smaller areas.

National Influences

The U.S. economy steadily emerged from the 2007 recession with noticeable gains occurring between 2010 and 2012. Since 2010, annual growth of gross domestic product (GDP)—the total value of goods and services produced in the U.S. economy—has averaged about 2.1 percent. Like the nation, Metro Denver experienced significant job losses throughout the recession and struggled to gain momentum during the recovery. However, Metro Denver is expected to achieve full economic recovery in 2013—meaning that all jobs lost during the recent recession will be regained—and will begin its new growth path.

Real GDP expansion slowed in 2011 to 1.8 percent, down from 2.4 percent in 2010. The latter half of 2012 showed stronger-than-expected growth, but the European fiscal banking crisis coupled with uncertainty over the U.S. fiscal and regulatory policies and looming drought conditions continue to impact investment and business hiring. Looking forward, expectations of fiscal tightening via the sequester spending cuts will slow GDP growth, dropping slightly below the 2012 average of 2.2 percent to 2.1 percent in 2013.

Real Gross Domestic Product Annual Average Growth Rates



Source: U.S. Bureau of Economic Analysis.

Interest Rates

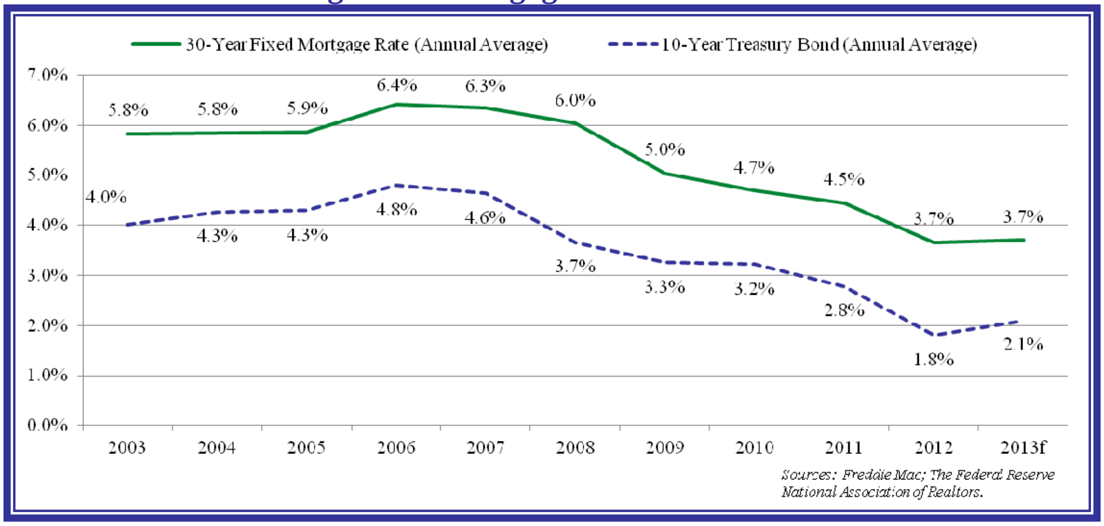
As the U.S. economy showed signs of weakness in late 2007, the Federal Open Market Committee (FOMC) of the Federal Reserve reduced the target federal funds rate from 5.25 percent to 4.25 percent. As the financial crisis began in the fall of 2008, the Federal Reserve responded by lowering the federal funds target to a range of zero to 0.25 percent. Since December 2008, the FOMC has maintained its target federal funds rate within this record low range. The FOMC is expected to maintain an accommodative monetary policy that includes purchasing mortgage-backed securities and longer-term Treasury securities, reinvesting payments of its holdings into securities, and maintaining its federal funds target between zero percent and 0.25 percent through mid-2015 until the unemployment rate falls to 6.5 percent while maintaining a medium-term inflation rate objective of 2 percent. According to forecasts by the National Association of Business Economists (NABE) and the National Association of Realtors (NAR), the short-term rate is expected to remain unchanged in 2013.

Since 2007, long-term interest rates also decreased at a rapid pace. In fact, the average annual 10-year Treasury bond declined from the 4.6 percent rate reported in 2007 to 1.8 percent in 2012. The NAR forecasts that long-term rates have already touched the bottom and are expected to increase to 2.1 percent by the end of 2013.

Long-term mortgage rates are generally correlated with long-term interest rates since they are both set by the market. Historically, 30-year mortgage rates have been higher than the 10-year Treasury bond rate. The relationship between long-term mortgage rates and the short-term discount rate can be more variable since the Federal Reserve administers the discount rate while mortgage rates are market rates. As a result, the 30-year fixed mortgage rate is expected to move in close tandem with the 10-year Treasury bond in 2013. The NAR forecasts that long-term mortgage rates will average about 3.7 percent 2013 with higher rates in the latter half of the year offset by the low rates posted earlier in the year. Similarly, the National Association of Home Builders (NAHB) forecasts that long-term mortgage rates will average just below 4 percent in 2013. The most recent data indicate that rates have already started to increase. According to Freddie Mac's Primary Mortgage Market Survey, the average rate for a 30-year fixed rate mortgage jumped to about 4.1 percent in June from 3.5 percent in May. Through the week of July 25th, the weekly rate has averaged about 4.4 percent.

Mortgage rates greatly influence home buying and refinancing decisions. High mortgage rates can discourage potential homeowners from purchasing a home and give homeowners little incentive for refinancing current mortgages. Declining mortgage rates have been an important stimulant over the last few years, driving housing demand. In fact, historically low interest rates drove home sales to their highest point in three years in late 2012.

Long-Term Mortgage and Interest Rates

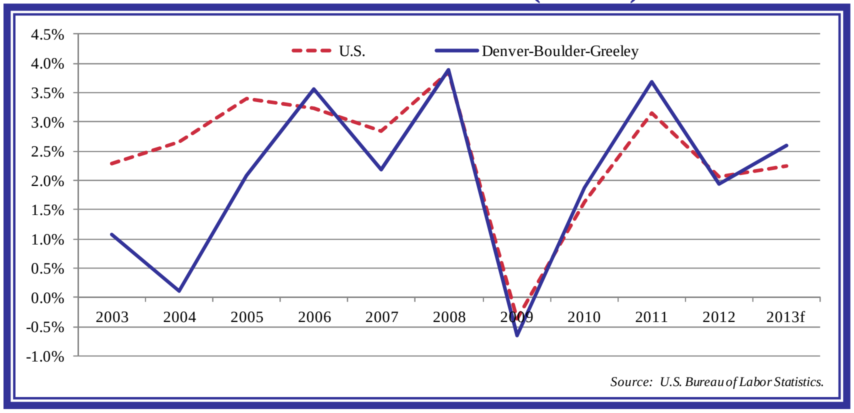


Inflation

Following the Great Recession, the national economy began to deflate in 2009 for the first time in more than half a century as weak demand pushed energy and food prices lower. However, inflation spiked in 2010 and 2011 because of home and fuel price increases from their recessionary lows. Inflation came back under control in 2012 and registered just a 2.1 percent increase and is expected to remain slightly above that level in 2013.

Like the U.S., the Denver-Boulder-Greeley Consumer Price Index (CPI) fell 0.6 percent in 2009 and increased 1.9 percent in 2010. During the first half of 2011, inflation began to accelerate and prices increased more quickly than the U.S. through the remainder of 2011. However, the Denver-Boulder-Greeley index stabilized in 2012 and increased only 1.9 percent. Local inflation is expected to outpace the nationwide rate in 2013 as housing prices and rents throughout Metro Denver should be stronger than prices across the U.S.

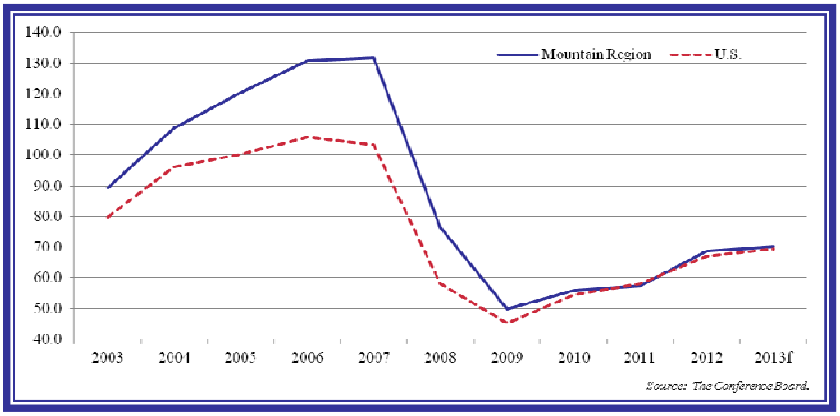
Annual Percentage Change in the Consumer Price Index (CPI-U)



Consumer Confidence

Consumer sentiment in the Mountain Region, which includes Colorado, has generally been more optimistic than the U.S.; however, readings from the Conference Board's Consumer Confidence indices fell to historic lows in 2009. The swift decline in consumer sentiment occurred even in the Mountain Region, where household confidence significantly exceeded confidence readings in other regions before the recession. Since then, the consumer confidence index has shown improved sentiment with consecutive increases in the Mountain Region and the U.S. level between 2010 and 2012. Despite these improvements, the Consumer Confidence indices remained at roughly half the pre-recession levels in 2012. Confidence levels are steadily improving in 2013, with average values for the first six months of the year 2 percent higher than the same time last year in the Mountain Region and nearly 4 percent higher at the national level.

Consumer Confidence Index



Labor Force and Unemployment

Like the U.S., Metro Denver's labor force grew at a healthy pace between 2003 and 2008. As the economy entered the recession, the growth began to slow and the labor force began to decline. This trend continued through 2009 but recovered modestly in 2011 and 2012. Arapahoe and Douglas Counties followed a similar trend.

Littleton's labor force rebounded in 2010 but the labor force fell nine percent in 2011 and increased 1 percent in 2012. As the economy continues to recover, it is anticipated that Metro Denver's labor force will grow in the coming years and the number of employed persons will likely increase while the number of unemployed persons will decrease.

Since the recovery began in 2009, the nation has struggled with an elevated unemployment rate. Even though corporate profits have returned to pre-recession levels, companies have restricted hiring in the uncertain economic environment. Although progress has been made since reaching a peak in 2010 of 9.6 percent, the national unemployment rate remains high and the U.S. has still not recovered the entire number of jobs lost in the recession. As a result, the unemployment rate is expected to remain elevated through 2013 at 7.9 percent, down slightly from 8.1 percent in 2012.

Metro Denver's average annual unemployment rate was above the national average after the 2001 recession, but moved below the national rate in 2006 and remained below five percent through 2008. Throughout the most recent recession and recovery, Metro Denver's unemployment rate stayed below the national average. The Metro Denver unemployment rate increased to 8.8 percent in 2010—the highest point since the mid-1980s—but fell to 7.7 percent in 2012 and is expected to remain below the national average through 2013, decreasing to 7.5 percent.

Historically, the unemployment trends in Arapahoe and Douglas Counties have mirrored those in Metro Denver. However, Arapahoe County's unemployment rate more closely resembles Metro Denver's rate, while Douglas County's rate has historically been roughly one-to-two percentage points below the Metro Denver rate. During the 2007 recession, both Arapahoe and Douglas Counties maintained an unemployment rate either equal to or lower than both the national and Metro Denver averages. Driven by weak labor market conditions, the unemployment rate in Arapahoe and Douglas Counties reached a peak of 8.8 percent and 7.1 percent in 2010, the highest points since the mid-1980s. Despite these elevated annual rates, the unemployment rates in Arapahoe and Douglas Counties shed roughly one percentage point each in 2012 to reach their lowest annual rates since 2008 (7.8 percent and 6.4 percent, respectively). Douglas County currently has the second-lowest unemployment rate in Metro Denver while Arapahoe County has the third-highest unemployment rate.

After the 2001 recession, Littleton's annual average unemployment rate peaked at 5.6 percent in 2003 and returned to its pre-recession level by 2007. Like Metro Denver, Littleton's unemployment rate reached its highest level in decades in 2010 (7.8 percent). However, Littleton's rate increased further in 2011 to 7.9 percent but was still 0.5 percentage points below the Metro Denver rate. The unemployment rate for Littleton fell sharply in 2012 to 7.1 percent, which was the lowest rate since 2009.

Annual Average Unemployment Rates

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 (e)	2013 (f)
U.S.	6.0%	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.9%
Metro Denver	6.4%	5.8%	5.2%	4.3%	3.8%	4.8%	8.2%	8.8%	8.4%	7.7%	7.5%
Arapahoe County	6.3%	5.7%	5.2%	4.3%	3.8%	4.9%	8.1%	8.8%	8.5%	7.8%	n/a
Douglas County	5.3%	4.7%	4.2%	3.5%	3.2%	4.2%	6.9%	7.1%	6.7%	6.4%	n/a
Littleton	5.6%	5.0%	4.6%	3.8%	3.4%	4.3%	7.2%	7.8%	7.9%	7.1%	n/a

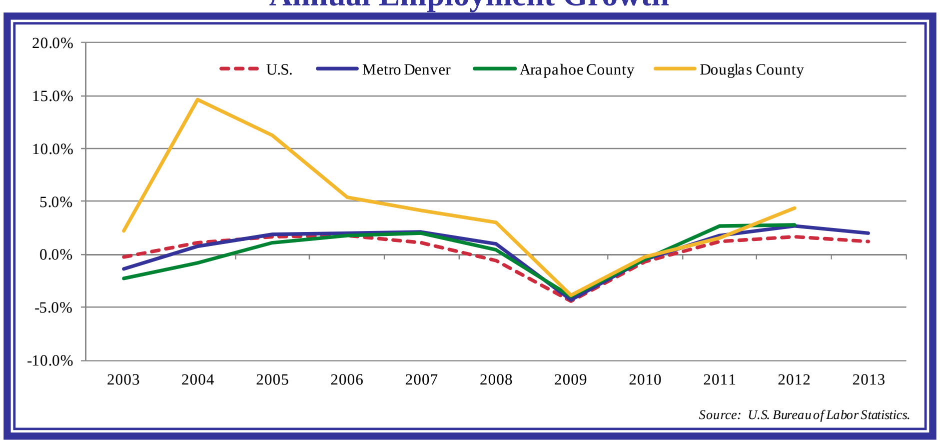
Source: U.S. Bureau of Labor Statistics

Industry Base

Job gains in both the U.S. and Metro Denver accelerated in 2011 and 2012 after significant job losses during the Great Recession. About 61,900 jobs were added to Metro Denver payrolls during 2011 and 2012 after losing a combined 67,800 jobs in 2009 and 2010. Metro Denver weathered the recent recession slightly better than the U.S., with the lowest point of a 4.3 percent contraction in 2009, slightly lower than the U.S. employment loss of 4.4 percent. Total employment in Metro Denver, which is set to outpace the nation in terms of percentage employment gains, will increase at a faster pace in 2013, reaching 1.44 million total positions in 2013. Indeed, Metro Denver will finally reach the point of replacing all jobs lost during the recession and beginning a new growth track in 2013. U.S. employment is expected to increase 1.2 percent in 2013, while total employment in Metro Denver will increase 2 percent.

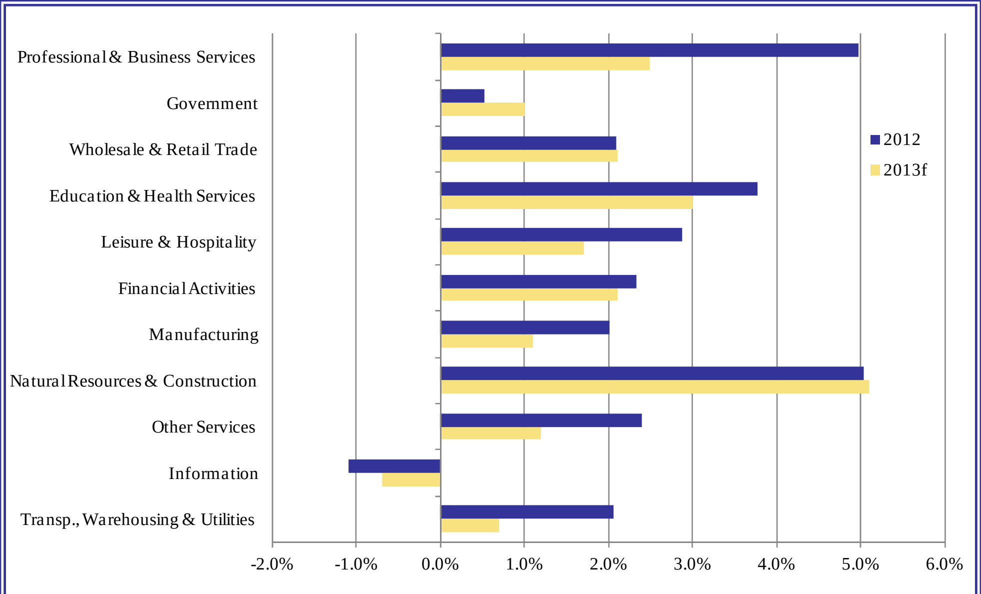
Arapahoe and Douglas Counties account for 28 percent of Metro Denver's total jobs. Both Arapahoe and Douglas Counties are home to high concentrations of insurance and financial services companies, large healthcare organizations, telecommunications companies, and a variety of other businesses. Like Metro Denver, both counties experienced job losses throughout the recession but rebounded in 2011 and 2012. Arapahoe County had the region's second-largest job base of roughly 285,500 workers in 2012, and employment increased 2.7 percent in 2011 and 2.8 percent in 2012. With a smaller job base of 95,200 workers, Douglas County's employment increased 1.5 percent in 2011 and 4.4 percent in 2012.

Annual Employment Growth



Metro Denver's three largest industry supersectors by employment concentration are professional and business services (18 percent), government (15 percent), and wholesale and retail trade (15 percent). Between 2011 and 2012, total employment rose in 10 of the 11 industry supersectors with the largest absolute employment increases in four industry supersectors: professional and business services (+12,000 jobs), education and health services (+6,400 jobs), wholesale and retail trade (+4,300 jobs), and leisure and hospitality (+4,300 jobs). These four industry supersectors accounted for 72 percent of Metro Denver's jobs added between 2011 and 2012. The only job losses occurred in the information supersector, which is primarily a result of the changing print media landscape and the merger between Qwest and Century Link that resulted in the loss of headquarters jobs. The three supersectors that are expected to add the most jobs in 2013 include professional and business services, wholesale and retail trade, and educational and health services. Information will once again be the only industry in Metro Denver that will shed jobs in 2013.

Metro Denver Annual Employment Growth Rates by Supersector



Source: Colorado Department of Labor & Employment.

The industry make-up in Arapahoe and Douglas Counties is roughly similar to that of Metro Denver. However, Arapahoe and Douglas Counties have stronger employment concentrations in six of the 11 industry supersectors including professional and business services, wholesale and retail trade, information, education and health services, financial activities, and natural resources and construction. The majority of these industries are expected to experience reasonable growth rates in 2013 except for the information supersector, which will temper growth in Arapahoe and Douglas Counties as this industry is not expected to recover in 2013.

Average Wage

Metro Denver wages increased throughout the Great Recession, even though the economy struggled and job losses persisted. In 2012, the Metro Denver average annual wage increased 3.2 percent, up slightly from a 2.5 percent increase reported in 2011. Like Metro Denver, wages increased in Douglas and Arapahoe Counties throughout the economic downturn, but wages grew at a faster pace in Douglas County.

From 2008 to 2012, the average annual wage in Douglas County grew at an average annual rate of 6.5 percent. This faster rate of growth exceeded the average wage growth in Arapahoe County over this same period (2.1 percent) and was greater than the average wage growth in Metro Denver (2.2 percent). For the first time in more than a decade, the average wage earned in Douglas County ($60,989) exceeded the average wage earned in Arapahoe County ($57,832) and was 8.3 percent above the Metro Denver average ($56,338).

Population

Littleton's population is distributed between three counties. The majority of Littleton's 42,557 resident are in Arapahoe County (40,128). The other 2,429 residents are located in Jefferson County (2,401) and Douglas County (28). Littleton residents comprise nearly seven percent of Arapahoe County's population.

Littleton has a lower population density than some of the surrounding communities. Littleton's population density in 2011 (3,279 people per square mile) is lower than Englewood (4,683), Highlands Ranch (3,987), Centennial (3,552), and Lakewood (3,368).

Littleton's population has grown much slower than the Metro Denver region, Arapahoe County, and Douglas County. From 2003 to 2011, Littleton's population grew about 2.4 percent from 41,559 to 42,557, an average annual rate of about 0.3 percent or about 125 residents each year. This is partly attributable to population decline in Littleton from 2005 to 2007 during which Littleton's population contracted 3.2 percent before increasing again in 2008. Littleton's strongest years of growth since 2003 were 2010 and 2011, which offset the city's prior population loss. Littleton's largest growth year was 2010 with 3.4 percent growth. While growth slowed somewhat in 2011, Littleton's population increased 1.2 percent—its second highest rate of growth since 2003. Littleton's overall population growth since 2003 (2.4 percent), compares with 13.2 percent in Arapahoe County and 32.2 percent in Douglas County over the same time. Growth in Metro Denver has averaged about 1.5 percent each year since 2003 and has grown 12.6 percent overall. Littleton's lower population growth rate is due largely to the fact that the city is mostly built out and has limited land available for new residential development.

The components of population change vary significantly by county. In Arapahoe County, demographers forecast that by 2013 about 58.5 percent of the change in population since 2003 will be attributed to natural increase (births minus deaths) and a smaller percentage (41.5 percent) from net migration. Metro Denver's change in population will be similar with 62.9 percent from natural increase and 37.1 percent net migration. Population change in Douglas County, on the other hand, is reversed. Between 2003 and 2013, over two-thirds of the increase in Douglas County's population will be attributed to net migration and only 33.1 percent from natural increase. It should be noted that Douglas County's population growth has slowed considerably since peaking in 2006. Net migration to the county also peaked that year, comprising 76.2 percent of population growth.

Total Population by Year

	Littleton		Arapahoe County		Douglas County		Metro Denver	
	Population	Percent Change	Population	Percent Change	Population	Percent Change	Population	Percent Change
2003	41,559	0.1%	516,354	1.1%	221,146	5.5%	2,528,665	0.9%
2004	41,592	0.1%	523,715	1.4%	233,646	5.7%	2,558,106	1.2%
2005	40,856	-1.8%	528,214	0.9%	244,442	4.6%	2,582,177	0.9%
2006	40,475	-0.9%	536,051	1.5%	257,833	5.5%	2,626,197	1.7%
2007	40,279	-0.5%	545,882	1.8%	268,599	4.2%	2,670,038	1.7%
2008	40,296	0.0%	556,246	1.9%	276,740	3.0%	2,716,819	1.8%
2009	40,680	1.0%	566,480	1.8%	282,163	2.0%	2,762,164	1.7%
2010	42,053	3.4%	574,819	1.5%	287,124	1.8%	2,797,896	1.3%
2011	42,557	1.2%	584,703	1.7%	292,305	1.8%	2,847,212	1.8%
2012 (f)	n/a	n/a	593,589	1.5%	296,889	1.6%	2,884,336	1.3%
2013 (f)	n/a	n/a	602,868	1.6%	302,506	1.9%	2,923,386	1.4%

Source: Colorado Department of Local Affairs, State Demography Office

Littleton's population is older than Arapahoe County, Douglas County, or Metro Denver. The median age in Littleton in 2011 was 41.7 years compared with 36 years in Arapahoe County, 36.1 years in Metro Denver, and 37.1 years in Douglas County.

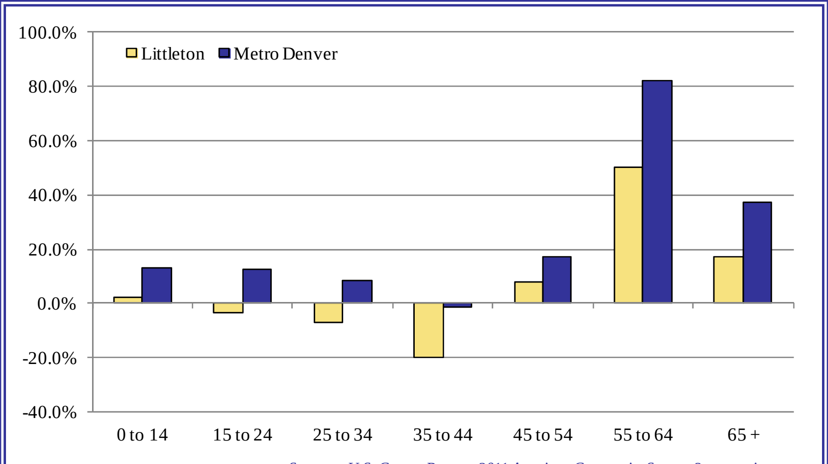
Population by Age Group, 2011

	Littleton	Arapahoe	Douglas	Metro Denver
Total Population	42,557	584,703	292,305	2,847,212
0 to 14	18.6%	21.0%	24.9%	20.5%
15 to 24	11.7%	12.8%	11.2%	13.1%
25 to 34	11.6%	14.7%	10.9%	15.3%
35 to 44	13.2%	14.3%	17.4%	14.6%
45 to 54	15.7%	14.6%	16.7%	14.4%
55 to 64	13.2%	12.1%	11.2%	11.8%
65 +	16.0%	10.4%	7.7%	10.4%
Median Age	41.7	36.0	37.1	36.1

Sources: U.S. Census Bureau, 2011 American Community Survey, 3-year estimates; Colorado State Demography Office, 2011 Population Estimates.

From 2000 to 2011, Littleton lost population in its 15 to 24, 25 to 34, and 35 to 44 year old age groups. Over this same period, the share of Littleton's population age 65 and older increased to 16 percent of total population in 2011 compared with 10.4 percent in Arapahoe County, 7.7 percent in Douglas County, and 10.4 percent in Metro Denver. Indeed, the fastest growing population segments in Littleton and Metro Denver have been the 55 to 64 and 65 and older age groups.

Population Change by Age Group, 2000-2011



Sources: U.S. Census Bureau, 2011 American Community Survey, 3-year estimates; Colorado Department of Local Affairs, State Demography Office.

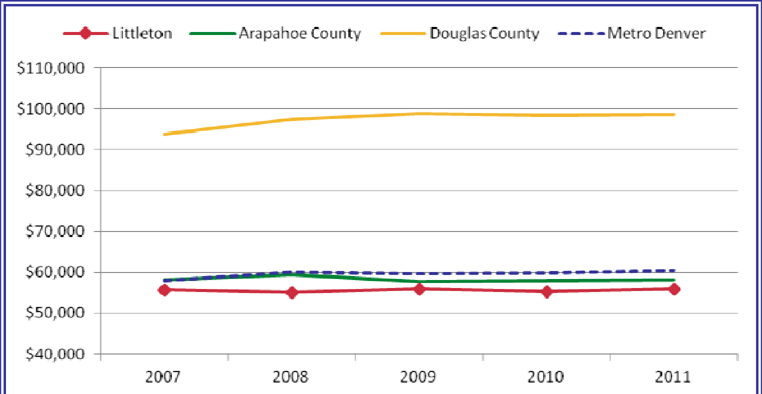
The population in Metro Denver, Arapahoe County, and Douglas County is expected to continue to age. In 2003, the share of the population age 45 and older was 34 percent in Arapahoe County, 28 percent in Douglas County, and 33 percent in Metro Denver. Demographers predict that by 2020, that share will exceed 40 percent in Arapahoe County, 41 percent in Douglas County, and reach nearly 40 percent in Metro Denver. The aging population is partly attributable to the aging of the baby-boom generation and coincides with a decline in the size of households, due to a decline in the percentage of households with children and an increase in non-family households.

Household Income

Littleton has a lower median household income ($55,944) than Arapahoe County ($58,245), Douglas County ($98,695), and Metro Denver ($60,452). In 2011, Littleton's median household income was only about 92.5 percent of the Metro Denver median.

From 2007 to 2011, median household income in Littleton grew at an average annual rate of 0.1 percent. While this slow rate of growth exceeded the stagnant income growth in Arapahoe County (0 percent) over the same period, it significantly lagged average growth in Douglas County (1.3 percent) and Metro Denver (1 percent).

Median Household Income, 2007-2011

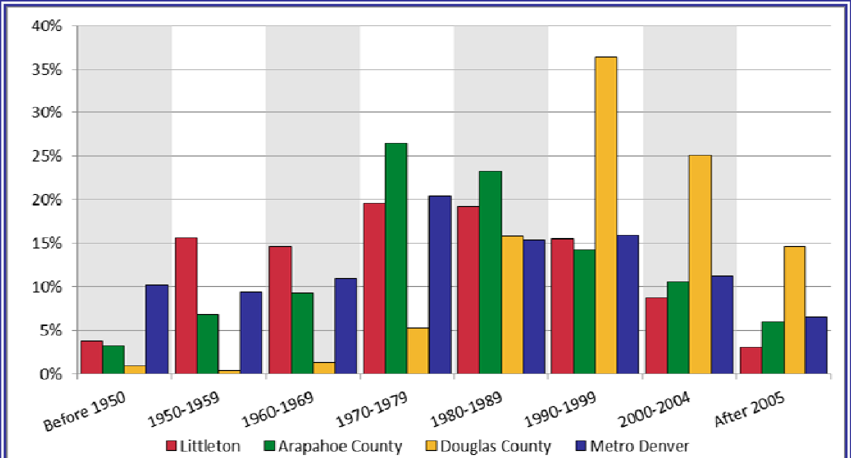


Source: U.S. Census Bureau, 2011 American Community Survey, 3-year estimates.

Existing Housing Characteristics

The Littleton market is characterized by residential units (including all single-family, multi-family, and other units such as mobile homes and RVs) that are generally older than in Metro Denver. Most of the residential units in Littleton were built before 1980 (53.5 percent). Newer housing, or units built in 1990 or later, account for about 27.3 percent of Littleton's housing stock, which is lower than the percent in Arapahoe County (30.8 percent), Douglas County (76.2 percent), and Metro Denver (33.7 percent). In Littleton, there was an average of 3,300 units built each decade between 1950 and 1999 and the city's building activity peaked in the 1970s at nearly 3,790 units. From 2000 to 2011 there have only been about 2,290 units built in Littleton with the bulk of those units built between 2000 and 2004. About 590 units were built between 2005 and 2011.

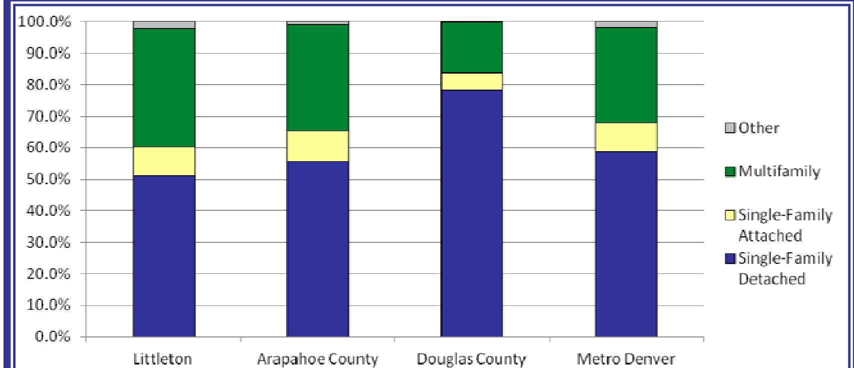
Percent of Housing Stock by Year Built



Source: U.S. Census Bureau, 2011 American Community Survey, 3-year estimates.

About 59.1 percent of Littleton's housing stock is comprised of single-family detached and single-family attached homes compared with 64.3 percent in Arapahoe County, 83.4 percent in Douglas County, and 66.3 percent in Metro Denver. Littleton has a higher percent of multi-family units, comprising 38.6 percent of the housing stock, compared with Arapahoe County (34.6 percent), Douglas County (16.3 percent), and Metro Denver (31.8 percent). Most of Littleton's multi-family units are in structures of 20 units or more. Littleton (2.3 percent) also has a higher percent of other types of housing including mobile homes and RVs than Arapahoe (1 percent) and Douglas Counties (0.3 percent) and Metro Denver (1.9 percent).

Housing Stock by Type, 2011

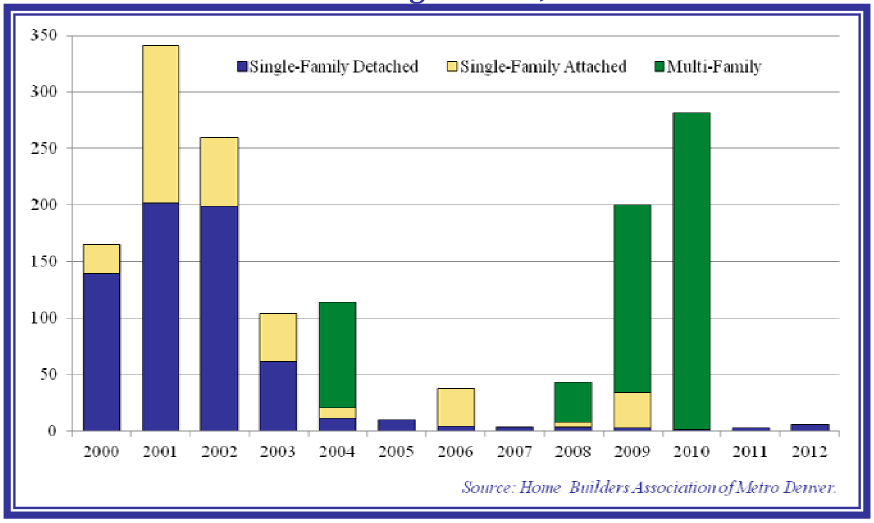


Source: U.S. Census Bureau, 2011 American Community Survey, 3-year estimates.

Residential Construction Activity

Single-family detached building permits in the Littleton market have tapered since peaking in 1996. After posting an average of 151 permits each year from 2000 to 2004, single-family detached building permits dropped to 11 in 2004, 10 in 2005, and have been in the single digits since 2006. A main reason for the decline is that Littleton has limited land available for new single-family detached units, consisting of some acres in Littleton Village and potentially some in Santa Fe Park. Most of the building permit activity in the past five years has been for multi-family developments. In 2008, permits were issued for 36 multi-family dwellings, increasing to 166 in 2009, and 280 in 2010. There were no multi-family permits issued in 2011 and 2012 in the Littleton market according to the Home Builders Association of Metro Denver. Rising home prices and a robust rental market have already stimulated increased demand for residential development in Littleton as the city has experienced a surge in the number of projects that have been proposed or are in review.

Littleton Building Permits, 2000-2012



Residential building permit activity in Metro Denver peaked in 2000 and troughed in 2009 and has slowly increased each year through 2012. In 2009, permit activity had fallen to only 88 percent of the 2000 level. Residential construction activity is expected to continue at a brisk pace in 2013 with nearly 11,400 new housing units permitted.

Single-family detached dwellings dominate the new residential market both historically and currently, falling below 50 percent of total permitted units just twice since 1990, in 2007 and 2008. In 2012, the 5,370 single-family detached permits comprised about 56 percent of the building permit activity. The number of new single-family detached units permitted in 2013 is expected to increase about 20 percent to 6,440 units.

Building permit activity for single-family attached[1] units comprised between 10 and 13 percent of total residential permits during the mid- to late-1990s. However, the pace of single-family attached permit activity in Metro Denver accelerated considerably through the mid-2000s. Single-family attached permits peaked in 2006 with over 5,300 units, comprising nearly 30 percent of residential permit activity. The level of activity has decreased to a level more consistent with the mid- to late-1990s in the last few years, comprising 10.6 percent of permit activity in 2012 with 1,026 permitted units. Activity is expected to increase in 2013 to about 1,180 units.

Annual multi-family permit activity tends to be more volatile, but has averaged about 2,080 units in the Metro Denver region each year from 2003 to 2012. Multi-family permits peaked in 2008 at about 4,410 units. Despite

[1] The Home Builders Association of Metro Denver classifies permits under three types: single-family, two-family, and multi-family. The two-family product tracked by the Home Builders Association of Metro Denver fits the more typical label of single-family attached units used in other housing statistics and has been relabeled as such for consistency in this analysis.

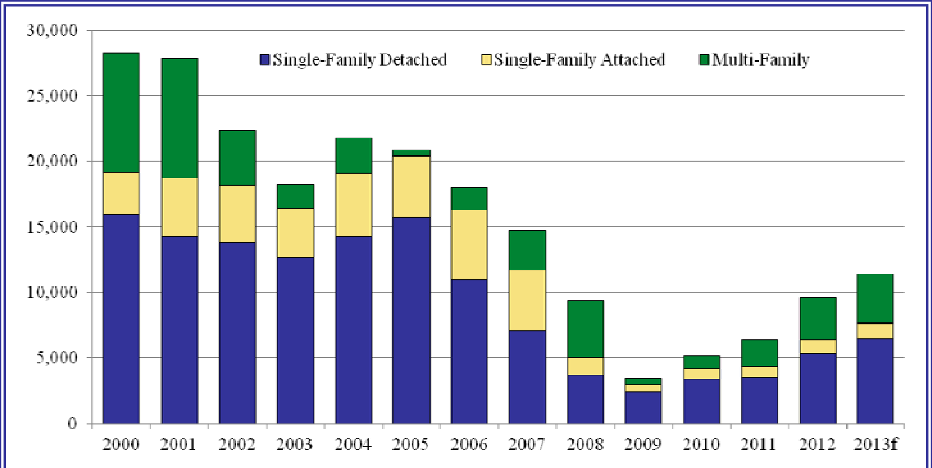
dropping to only 440 units in 2009, permits for multi-family product have increased each year since and currently comprise about 34 percent of total residential permits.

The housing market crash of the last recession contributed largely to the surge in multi-family construction activity of the last few years. As financial institutions reined in access to credit, many potential homeowners were pushed into the rental market. In addition, slow job growth and low wage growth coupled with a sharp drop in consumer confidence convinced many people to forego or postpone home ownership.

A decreased appetite for risk as households trimmed debt also influenced demand for rental units. Overall household debt has slowly declined since its peak in 2008. However, tougher credit standards, foreclosure, or bankruptcy may have involuntarily been a root cause of this decline.

While near-term wage growth could quicken for some high-demand or high-skilled occupations, wage growth more broadly will remain slow as long as unemployment stays high. Banks continue to be selective with residential mortgages. While loan officers have reported that demand for residential loans has strengthened, few banks have eased their lending standards. Longer-term demographic trends and shifting consumer preferences are also expected to influence the demand for smaller housing units and rental properties as older households downsize and many younger, more mobile households prefer carefree rental properties in urban locations with more amenities. Construction of multi-family units is expected to continue to increase at a brisk pace in 2013, reaching a projected 3,780 units permitted.

Metro Denver Building Permits, 2000-2013f

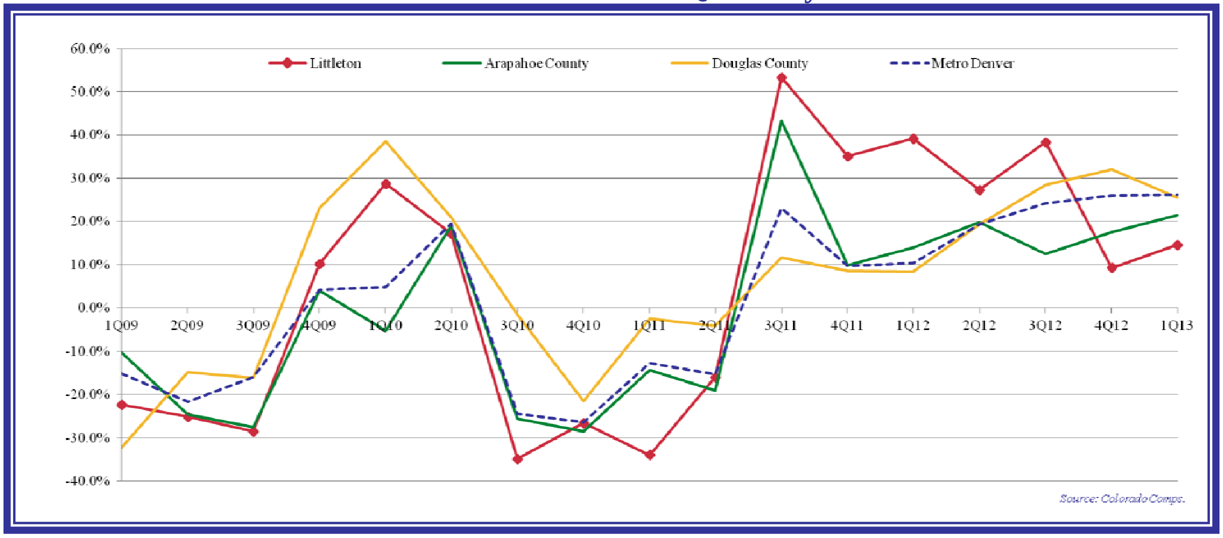


Source: Home Builders Association of Metro Denver.

Existing Single-Family Market

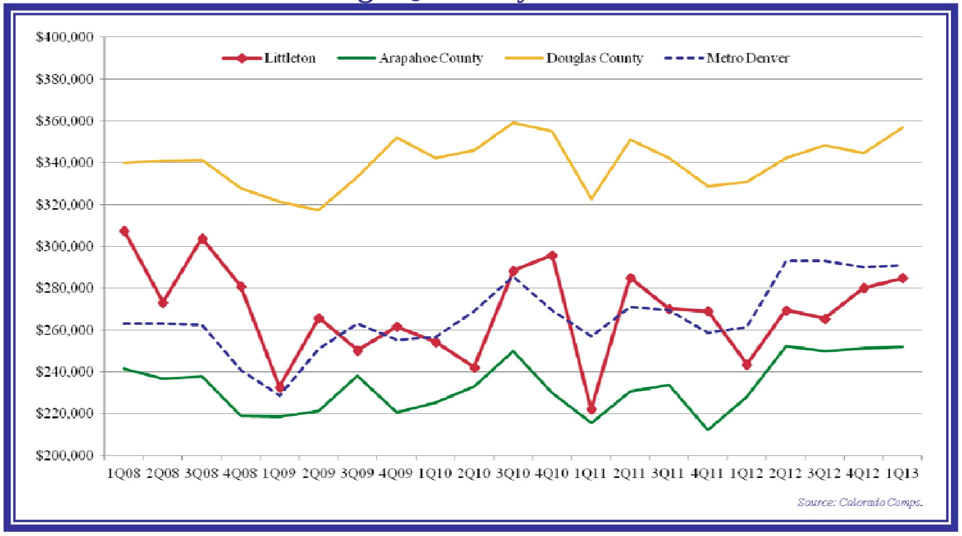
Over-the-year growth in quarterly sales of existing single-family attached and single-family detached homes in Littleton has fallen twice over the past five years, first during 2009 and then from the third quarter of 2010 to the second quarter of 2011. However, quarterly sales have been consistently higher than year-ago levels since the third quarter of 2011. Littleton’s existing home sales reached a peak (197) in the third quarter of 2008. On an annual basis, the 630 sales in 2012 exceeded the pre-recession peak of 625 in 2008. Average sales prices have also been trending upward since bottoming in the first quarter of 2011: the average sales price of $222,259 for a single-family home in the first quarter of 2011 increased to $284,905 in the first quarter of 2013. Despite the general upward trend, the average price in the first quarter of 2013 was still 7.4 percent below the earliest price available in this data series of $307,530 in the first quarter of 2008.

Over-the-Year Growth in Quarterly Sales



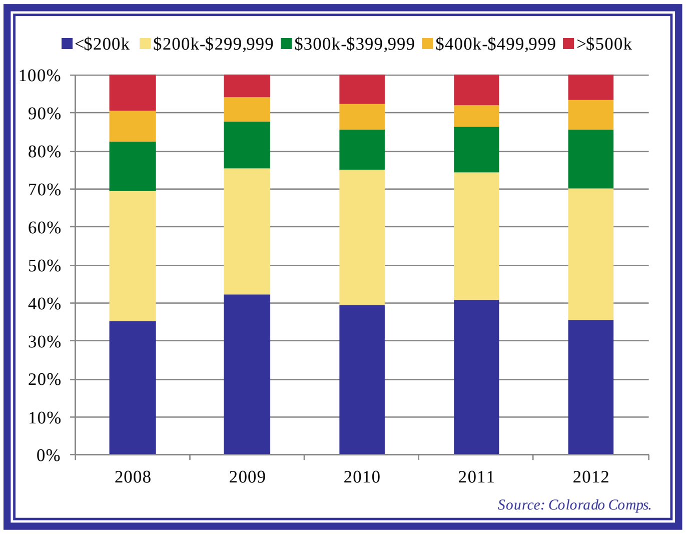
Sales activity in the Metro Denver region has followed a similar trend and over-the-year growth in quarterly sales has remained positive since the third quarter of 2011. Sales activity in 2012 (45,756) approached the Metro Denver area's pre-recession peak of 47,486 in 2008. The average sales price of a single-family home in the Metro Denver area was $290,970 in the first quarter of 2013, about 2.1 percent higher than the average price in Littleton. Average sales prices in Metro Denver and Littleton in the first quarter of 2013 remain above the average in Arapahoe County ($251,855) but well below the average in Douglas County ($356,702).

Average Quarterly Sales Price

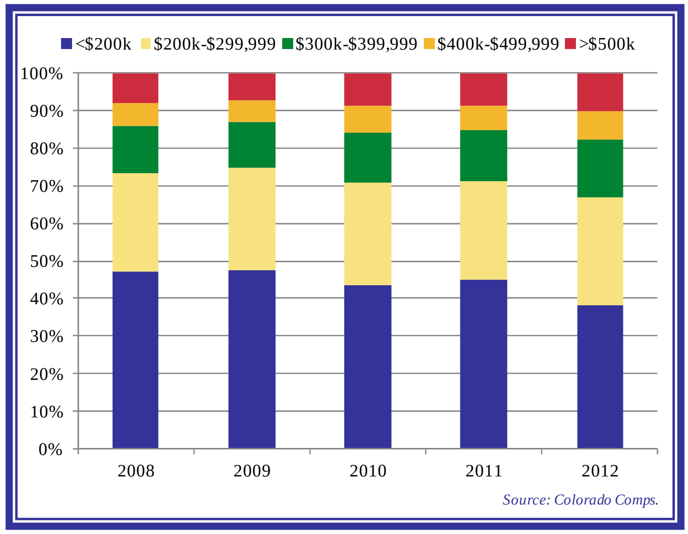


Home Sales Activity by Price Range, 2008-2012

Littleton



Metro Denver



Littleton homes priced under $200,000 comprised nearly 36 percent of sales in 2012, down from a high of 42.3 percent in 2009. Sales of homes priced between $200,000 and $299,999 made up the second largest price category, comprising about 35 percent of sales. Sales of homes over $500,000 comprised over 9 percent of the market in 2008 but fell to 5.8 percent in 2009. Growth in higher priced homes has remained moderate, rising to 8 percent in 2011 but falling to 6.5 percent of sales in 2012.

The 12-month average number of unsold homes in the Littleton market area, Arapahoe County, Douglas County, and Metro Denver markets has fallen significantly from the highs of just a few years ago and the average days on the market for sold properties has decreased. In the Littleton market area,[2] the average number of unsold homes in 2012 fell nearly 55 percent from 2010. The year-to-date monthly average of unsold homes in the Littleton market area in 2013 has continued to decrease from year-ago levels, falling another 31 percent. The average number of days on the market in the Littleton area peaked in 2011 at an estimated 114 days. That number fell to 73 in 2012 and decreased further to an average 56 days for the first four months of 2013, shorter than Arapahoe County (63), Douglas County (73), and Metro Denver (68).

In Arapahoe County,[3] the average number of unsold homes was over 4,000 in 2008 and by 2012 had declined by nearly 63 percent to about 1,490. The year-to-date monthly average in 2013 is currently just under 1,000. In Douglas County,[4] the average number of unsold homes peaked in 2008 at 3,649 and fell to about 1,740 in 2012. The year-to-date monthly average in 2013 is currently at 1,210. The inventory of unsold homes on the market is at historically low levels throughout Metro Denver. The number of unsold homes troughed at 6,700 units in March

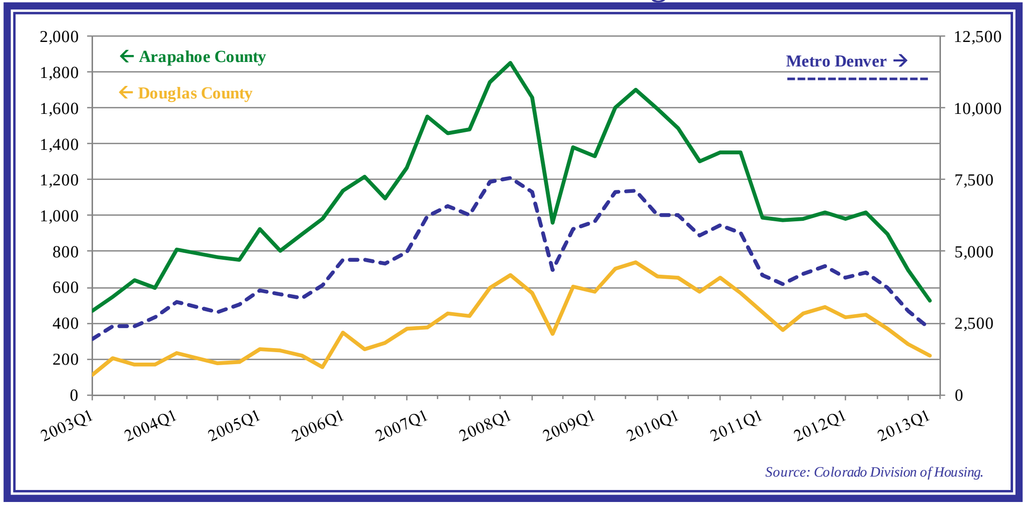
[2] Littleton market area is defined as the South Suburban Central (SSC) Metrolist submarket in this study. This submarket includes most of the cities of Littleton, Sheridan, and Centennial.

[3] Arapahoe County is defined by the following Metrolist submarkets: South Suburban Central (SSC), South Suburban East (SSE), Aurora South (AUS), and East Suburban South (ESS).

[4] Douglas County is defined by the following Metrolist submarkets: Douglas Highlands Ranch Lone Tree (DHL), Douglas Elbert Parker (DEP), and Douglas County West (DCW).

2013, the lowest level in records dating back to January 1987. The number has rebounded slightly to 8,200 as of May 2013.

New Foreclosure Filings



Source: Colorado Division of Housing.

The Arapahoe County, Douglas County, and Metro Denver markets have posted sustained declines in new foreclosure filings following the end of the last recession. On a quarterly basis, new foreclosure filings have declined over-the-year since the second quarter of 2010 with only one uptick in the second quarter of 2012. In the fourth quarter of 2012, new foreclosure filings in Arapahoe County (693) declined to levels not posted since 2003. In Metro Denver, new foreclosure filings (2,933) dipped below 3,000 for the first time since the third quarter of 2004.

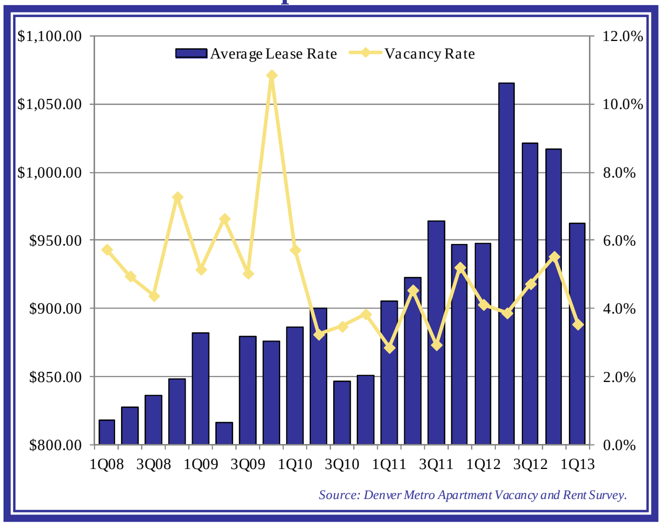
On an annual basis, foreclosure filings have fallen between 42 and 43 percent from 2009 to 2012 in Arapahoe County, Douglas County, and Metro Denver. The number of new foreclosure filings in 2009 in Metro Denver was 26,509 compared with 15,016 in 2012. From 2011 to 2012, filings decreased by 10.3 percent in Metro Denver and have declined 46 percent in the first five months of 2013 compared with the same period in 2012.

Existing Multi-Family Market

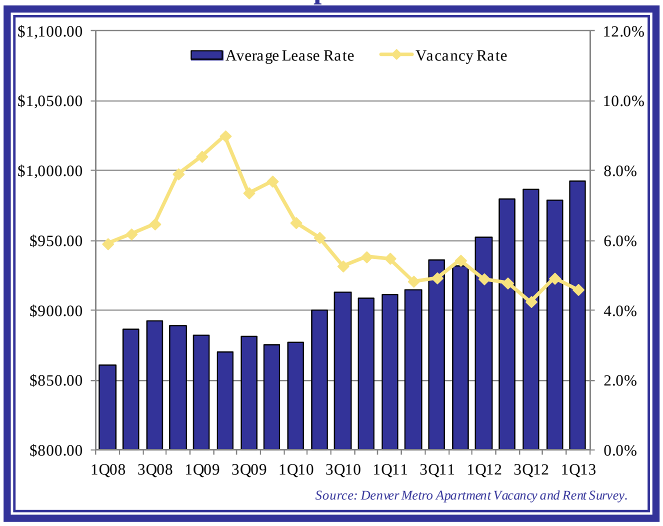
The average lease rate for apartments in the Littleton market has climbed significantly in the past five years. The average lease rate in Littleton increased by 17.6 percent from $819 in the first quarter of 2008 to $963 in the first quarter of 2013. The average rate in first quarter 2013 declined to under $1,000 after posting averages above $1,000 in the last three quarters of 2012. Despite the general increase in lease rates, vacancy rates in Littleton continue to remain low, ranging from 2.9 percent to 5.5 percent since the second quarter of 2010. As of the first quarter of 2013, the vacancy rate in Littleton (3.5 percent) is below the rate in Arapahoe County (4.1 percent), Douglas County (6.5 percent), and Metro Denver (4.6 percent). The vacancy rate in Littleton has been generally lower than the rate in Metro Denver, rising above the Metro Denver rate only five times in the past 40 quarters.

In Metro Denver, apartment lease rates have steadily climbed since second quarter 2009 and vacancy rates have steadily fallen since peaking in the second quarter of 2009. The average lease rate in Metro Denver is approaching $1,000 per month, averaging $985 from second quarter 2012 to the first quarter of 2013. The rate in the first quarter of 2013 ($993) is higher than the rate in Littleton ($963) and Arapahoe County ($950) but is lower than the rate in Douglas County ($1,186).

Littleton Apartment Market



Metro Denver Apartment Market



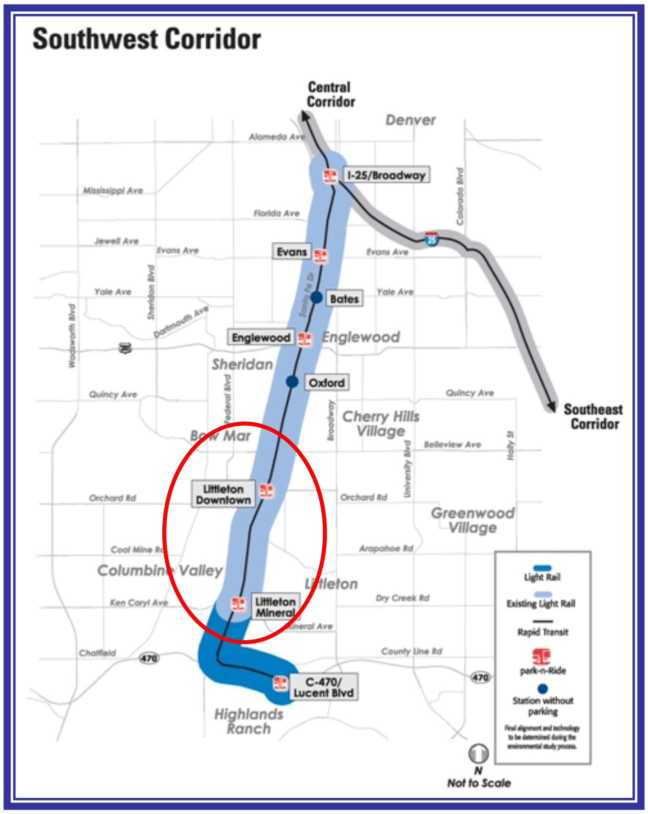
Transit Influences on Residential Growth Patterns

The Southwest light rail line operated by the Regional Transportation District (RTD) opened in July 2000. There are two light rail stations within the City of Littleton, one located in downtown and the other at Mineral Avenue and South Santa Fe Drive. The latest data on ridership for the stations indicate that Littleton's light rail stations both rank among the top 15 busiest stations in the system. As of 2012, the Littleton-Mineral station ranks 10th with an average of about 4,870 riders each weekday; the Littleton-Downtown station ranks 15th with about 3,950 daily passengers. For comparison, the ridership average for the Englewood station is about 5,840 and ranks seventh.

Light rail stations are catalysts for transit-oriented development (TOD) that supports lifestyles that utilize mass transit systems, often mixing residential and commercial uses in a pedestrian friendly environment. For analytical purposes, RTD and the Denver Regional Council of Governments (DRCOG) have identified TOD as an area within a one-half mile radius (a 5- to 10-minute walk) from a light rail station. However, in practice the distance that is affected by transit may vary based on location. Access to transit is a valuable amenity for development. A developer survey conducted by DRCOG found that most of the respondents agreed that projects with transit access have a much greater competitive advantage than projects without transit access. Further, various studies indicate that implementing TOD can have significant benefits to individuals, communities, regions, and the economy. According to DRCOG, TOD provides a variety of benefits, including:

- Mobility choices;
- Increased public safety and transit ridership;
- Reduced rates of vehicle miles traveled;
- Increased households' disposable income;
- Reduced air pollution and energy consumption;
- Conservation of resource lands and open space;
- Community revitalization and plays an integral role in economic development;
- Decreased infrastructure costs; and
- Contributes to more affordable housing.

Littleton Light Rail Stations



Source: Regional Transportation District.

These benefits are reflected in higher property values, which can result in increased tax revenue. In fact, proximity to transit stops typically increases property values by 10 percent to 20 percent (Smith and Gihring 2003; Mathur and Ferrel 2009), a phenomenon known as the “transit premium.” The Center for Transit Oriented Development (CTOD) examined a range of studies to determine the impact of transit investments on real estate values and found that in most cases, the impact of transit is generally positive. While the extent of the transit premium found in the CTOD study for residential property ranges widely from a few percent to about a 45 percent increase, a recent national analysis of apartment data and renter preferences by the CoStar Group, a national commercial real estate information company, found that apartments with access to mass transit commanded an average rent premium of about 15 percent. When compared with other apartment attributes and amenities, only central business district (CBD) locations and green building certifications contributed to higher premiums. It should be noted that renter preferences vary greatly by region and the CoStar study found that renters in the southern and western regions of the U.S. placed a greater value on new property than either TOD and CBD properties.

Anecdotally, these factors have contributed to the success of the Alta Aspen Grove development near the Littleton-Mineral Station. Alta Aspen Grove is reportedly the first LEED-certified suburban multi-family development in the Metro Denver region. Combined with its location near transit, the development recently sold for what may be a record per unit price of about $203,000 per unit for a suburban multi-family development.

HOUSING TRENDS

A typical TOD has a rail or bus station at its center, surrounded by relatively high-density development, with progressively lower-density development spreading outwards at approximately one-quarter to one-half mile, representing pedestrian scale distances (Cervero et al., 2004). In particular, TOD promotes the development of multi-family apartments and condominiums. Indeed, about 85 percent of the residential development either completed or under construction in Metro Denver's TODs is multi-family development, according to the most recent estimates. TOD in Metro Denver has also attracted student housing, senior housing, and affordable housing developments. Single-family detached and attached units comprise one of the smallest percentages of TOD housing, about 2.5 percent.

Multi-family housing in TODs has accounted for a significant percentage of total multi-family development activity in Metro Denver. The nearly 16,400 multi-family units either completed or under construction from 1997 to 2009 in TODs in the Metro Denver region represented about 30 percent of the 54,875 total multi-family building permits issued by local jurisdictions within the same time. Moreover, data indicate that from 2004 to 2009, after RTD's FasTracks initiative was implemented, multi-family housing within TOD areas likely comprised most of the multi-family development within Metro Denver. DRCOG indicates that 11,070 multi-family units were either completed or under construction from 2004 to 2009 compared with 12,733 total multi-family building permits issued during the same time.

In Littleton, the Littleton-Downtown Station is attracting the most development activity between its two stations. According to the City of Littleton, there are 942 multi-family units approved and 225 in review for sites within one-half mile of the Littleton-Downtown and Littleton-Mineral stations. These units comprise about 38.2 percent of the 3,058 residential units throughout the city that are either approved or in review.

Residential Projects Under Construction or In Review in the City of Littleton
Information Current as of August 5, 2013

Project Name	Project Type	Units	Status	TOD[1]
Broadstone at Littleton Station	Multi-Family	225	In Review	Littleton-Downtown
Littleton Crossing	Multi-Family	34	Approved	Littleton-Downtown
Littleton Lofts	Multi-Family	27	Approved	Littleton-Downtown
Sycamore Street Duplex	Two-Family	2	Approved	Littleton-Downtown
The Nevada	Multi-Family	3	Approved	Littleton-Downtown
The Residences at Nevada Place	Multi-Family	72	Approved	Littleton-Downtown
Santa Fe Park	Multi-Family	774	Approved	Littleton-Mineral
Littleton Commons	Multi-Family	385	Approved	Outside
Littleton Village	Multi-Family	388	Approved	Outside
Littleton Village	Single-Family	512	Approved	Outside
Meadows at Platte Valley	Multi-Family	250	In Review	Outside
The Overlook Plateau	Single-Family	10	In Review	Outside
Villages of Belleview	Multi-Family	346	In Review	Outside

[1] According to Google Maps, the TOD is labeled if within one-half mile of Littleton's light rail stations.
Source: City of Littleton, Community Development Department.

One of the biggest impediments that have plagued development activity across Colorado is the availability of commercial general liability (CGL) coverage for claims arising out of defective or faulty workmanship, otherwise known as construction defect claims. Since 1999, the Colorado General Assembly has repeatedly addressed perceived needs to regulate construction defect lawsuits in the state. The legislative changes occurred in four phases—each addressing various subjects—and are collectively referred to as the Colorado Construction Defect Action Reform Act (CDARA). CDARA requires that owners of residential and commercial property cannot sue "construction professionals" such as developers, contractors, builders, engineers, architects, other design professionals, subcontractors, and inspectors for construction defects until they have informed the construction professional of the problem and given them an opportunity to repair the defect. If after the repair has been fixed or other defects are found or not repaired, the owner can file suit against the construction professional. In 2010, Colorado was the first state to pass legislation directly addressing whether defective construction is an occurrence in standard CGL practices.

Even though the housing recovery is underway, construction of for-sale attached product—including townhomes, duplexes, and condominiums—has decreased over the last few years, driven partially by the construction defects legislation and stricter lending guidelines established by Fannie Mae and other government agencies making financing more difficult. According to figures from the Homebuilders Association of Metro Denver, attached product represented 31 percent of all Metro Denver housing starts in 2007. By 2012, though, that figure had decreased to 11 percent. Several homebuilders in Metro Denver have cited the slowdown in condominium construction is a result of a CDARA restriction that allows homeowners associations for multi-family units to sue the builder if more than two of the units have defects which has resulted in awards totaling $20 million or more. As a result, the risk of construction defect litigation is too great for many developers to move forward with condominium projects in Metro Denver resulting in for-rent properties being developed rather than for-sale product.

LOOKING AHEAD

Looking to the future, a number of issues will (continue to) influence the type of housing demanded in Littleton and throughout the Metro Denver region.

Multi-Family Rental Demand Continues: The housing market crash that began in 2007 contributed to the surge in multi-family construction activity of the last few years. As financial institutions reined in access to credit, many potential homeowners were pushed into the rental market. While loan officers have reported that demand for residential loans has strengthened, few banks have eased their lending standards and banks continue to be selective with residential mortgages. In addition, slow job growth and low wage growth convinced many people to forego or postpone home ownership. Until households determine that it is more affordable for them to own a home rather than pay rising rental rates, rental properties are likely to remain attractive.

Aging of the Baby Boomers: According to an Urban Land Institute analysis of baby boomers born between 1946 and 1956, reasons for moving and housing selection include being near family and friends, finding a more urban location (whether downtown or in a suburban town center), finding a place easier to care for, meeting the need to live more frugally, and finding a place with better health care or public transportation. These preferences are magnified by a generation that expects it will live and work longer than past generations.

Another strong motivator for these households is the prospect of living with adult children and grandchildren. Many cite the desire to keep a bedroom available for children in transition between jobs or school and work. Indeed, the study notes that multi-generational living is on the rise and that many choose to do so despite economic circumstances. In addition, rather than living in age-restricted communities, often the choice of past generations, many boomers may choose to live around younger families. The desire for boomers to be around family and friends is cited as a potential reason that many cities with large universities and other cities that attract young job seekers and professionals appear to be among the cities with the largest increases in the 65 and older populations. This includes Metro Denver.

Attracting Young Workers: The housing preferences of younger workers, in particular Generation Y currently aged 18 to 34 years, is still a point of debate. Sources such as the Urban Land Institute find that Generation Y has a higher preference for urban living, mixed-use developments, and public transportation than previous generations. However, others such as Robert Burchell of Rutgers University feel that Generation Y may be living in these types of housing out of necessity rather than preference due to personal debt and the fact that many currently may not be able to afford single-family detached housing options. Many Generation Y households still have home ownership as a long-term goal.

A point of agreement is that younger workers will continue to prefer smaller housing and locations in close proximity to work. The millennial generation is also expected to prefer neighborhoods with amenities such as local shops and entertainment, safe streets, and walkable communities.

Continued Expansion of Light Rail: According to an analysis completed by Development Research Partners of *American Housing Survey* data by the U.S. Census Bureau, the three primary reasons households choose to live in a particular location are (1) physical design features of the home and neighborhood, (2) proximity to a job, and (3) lifestyle fit. Light rail transit stations are attractive to various segments of the population seeking lifestyle choices such as convenient access to jobs, leisure activities, educational facilities, shopping, convenience for telecommuting and home-based business, or simply to be near transportation.

Transit-oriented developments offer attractive housing options to several demographic groups. The primary market for households moving to be near their job and near transit is in the 35-year old and older market. Easy access to leisure activities is a priority for many households, particularly those in the 55-year old and older age group. Access to leisure activities via light rail is attractive to retirees and empty-nesters and an amenity to all households that locate to a TOD. In addition, college students are a notable portion of existing light rail riders. Reasonably priced housing options near a light rail station are attractive to student households.

While single-family home ownership remains a goal for many households, it is no longer perceived to be the ultimate goal for all. As residents of the Metro Denver area become more familiar with higher density living, many households are choosing the lifestyle that rental properties and higher density provide. The bottom line is that healthy communities provide a diversity of housing options – diversity in price, in style, in location, and in amenities.

DATA APPENDIX

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (f)
Economic Overview											
Gross Domestic Product											
U.S. Real GDP Growth Rate	2.5%	3.5%	3.1%	2.7%	1.9%	-0.3%	-3.1%	2.4%	1.8%	2.2%	2.1%
Interest and Mortgage Rates											
Federal Funds Rate (Annual Average)	1.1%	1.4%	3.2%	5.0%	5.0%	1.9%	0.2%	0.2%	0.1%	0.1%	0.1%
10-Year Treasury Bond (Ann Avg)	4.0%	4.3%	4.3%	4.8%	4.6%	3.7%	3.3%	3.2%	2.8%	1.8%	2.0%
30-Year Fixed Mortgage Rate (Ann Avg)	5.8%	5.8%	5.9%	6.4%	6.3%	6.0%	5.0%	4.7%	4.5%	3.7%	3.7%
Consumer Price Index											
U.S. Inflation Rate	2.3%	2.7%	3.4%	3.2%	2.8%	3.8%	-0.4%	1.6%	3.2%	2.1%	2.2%
Denver-Boulder Greeley Inflation Rate	1.1%	0.1%	2.1%	3.6%	2.2%	3.9%	-0.6%	1.9%	3.7%	1.9%	2.6%
Consumer Confidence Index											
U.S.	79.8	96.1	100.3	105.9	103.4	58.0	45.2	54.5	58.1	67.1	69.5
Mountain Region	89.4	108.8	120.3	130.9	131.8	76.5	49.7	56.0	57.4	68.7	70.2
Employment Growth Rate											
U.S.	-0.3%	1.1%	1.7%	1.8%	1.1%	-0.6%	-4.4%	-0.7%	1.2%	1.7%	1.2%
Metro Denver	-1.4%	0.8%	1.9%	2.0%	2.1%	1.0%	-4.3%	-0.5%	1.8%	2.7%	2.0%
Arapahoe County	-2.2%	-0.8%	1.1%	1.8%	2.0%	0.4%	-3.9%	-0.5%	2.7%	2.8%	n/a
Douglas County	2.2%	14.7%	11.3%	5.4%	4.1%	3.0%	-3.9%	-0.3%	1.5%	4.4%	n/a
Unemployment Rate											
U.S.	6.0%	5.5%	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.9%
Metro Denver	6.4%	5.8%	5.2%	4.3%	3.8%	4.8%	8.2%	8.8%	8.4%	7.7%	7.5%
Arapahoe County	6.3%	5.7%	5.2%	4.3%	3.8%	4.9%	8.1%	8.8%	8.5%	7.8%	n/a
Douglas County	5.3%	4.7%	4.2%	3.5%	3.2%	4.2%	6.9%	7.1%	6.7%	6.4%	n/a
Littleton	5.6%	5.0%	4.6%	3.8%	3.4%	4.3%	7.2%	7.8%	7.9%	7.1%	n/a
Average Annual Wage											
Metro Denver	$43,519	$45,039	$46,468	$48,712	$50,652	$51,686	$51,995	$53,240	$54,587	$56,338	n/a
Arapahoe County	$47,274	$47,349	$48,580	$51,933	$52,878	$53,245	$53,652	$54,577	$56,498	$57,832	n/a
Douglas County	$36,160	$38,369	$41,143	$42,451	$46,256	$47,479	$50,977	$51,970	$52,971	$60,989	n/a

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (f)
Housing Trends											
Population											
Metro Denver	2,528,665	2,558,106	2,582,177	2,626,197	2,670,038	2,716,819	2,762,164	2,797,896	2,847,212	2,884,336	2,923,386
Arapahoe County	516,354	523,715	528,214	536,051	545,882	556,246	566,480	574,819	584,703	593,589	602,868
Douglas County	221,146	233,646	244,442	257,833	268,599	276,740	282,163	287,124	292,305	296,889	302,506
Littleton	41,559	41,592	40,856	40,475	40,279	40,296	40,680	42,053	42,557	n/a	n/a
Population Growth Rate											
Metro Denver	0.9%	1.2%	0.9%	1.7%	1.7%	1.8%	1.7%	1.3%	1.8%	1.3%	1.4%
Arapahoe County	1.1%	1.4%	0.9%	1.5%	1.8%	1.9%	1.8%	1.5%	1.7%	1.5%	1.6%
Douglas County	5.5%	5.7%	4.6%	5.5%	4.2%	3.0%	2.0%	1.8%	1.8%	1.6%	1.9%
Littleton	0.1%	0.1%	-1.8%	-0.9%	-0.5%	0.0%	1.0%	3.4%	1.2%	n/a	n/a

Housing Trends (Continued)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (f)
Population by Age Group											
Metro Denver											
0 to 14	21.1%	21.1%	21.0%	20.9%	20.9%	20.9%	20.8%	20.7%	20.5%	20.4%	20.3%
15 to 24	13.4%	13.4%	13.5%	13.6%	13.7%	13.5%	13.3%	13.2%	13.1%	13.0%	13.1%
25 to 34	16.6%	16.2%	15.7%	15.3%	15.2%	15.3%	15.3%	15.3%	15.3%	15.1%	14.9%
35 to 44	16.4%	16.2%	16.0%	15.8%	15.6%	15.4%	15.0%	14.7%	14.6%	14.6%	14.5%
45 to 54	14.8%	14.9%	15.0%	15.0%	15.0%	14.9%	14.7%	14.6%	14.4%	14.1%	13.9%
55 to 64	8.8%	9.2%	9.7%	10.1%	10.4%	10.7%	11.1%	11.5%	11.8%	11.9%	12.0%
65 +	8.9%	9.0%	9.2%	9.2%	9.3%	9.5%	9.7%	10.1%	10.4%	10.9%	11.3%
Median Age	34.6	34.9	35.1	35.3	35.4	35.4	35.6	35.8	36.1	36.3	36.6
Arapahoe County											
0 to 14	21.5%	21.4%	21.3%	21.3%	21.3%	21.3%	21.3%	21.3%	21.0%	20.9%	20.8%
15 to 24	13.3%	13.5%	13.6%	13.8%	13.7%	13.5%	13.2%	12.9%	12.8%	12.8%	13.0%
25 to 34	15.4%	15.1%	14.7%	14.3%	14.3%	14.4%	14.6%	14.7%	14.7%	14.6%	14.3%
35 to 44	16.2%	15.8%	15.5%	15.2%	15.1%	14.8%	14.5%	14.3%	14.3%	14.3%	14.2%
45 to 54	15.7%	15.7%	15.7%	15.7%	15.6%	15.4%	15.1%	14.8%	14.6%	14.3%	14.0%
55 to 64	9.1%	9.6%	10.1%	10.5%	10.8%	11.0%	11.5%	11.8%	12.1%	12.2%	12.3%
65 +	8.8%	8.9%	9.2%	9.2%	9.3%	9.6%	9.8%	10.1%	10.4%	10.9%	11.4%
Median Age	34.9	35.0	35.3	35.4	35.5	35.5	35.7	35.8	36.0	36.2	36.4
Douglas County											
0 to 14	26.9%	26.8%	26.7%	26.6%	26.5%	26.3%	26.0%	25.6%	24.9%	24.1%	23.4%
15 to 24	10.8%	11.0%	11.1%	11.2%	11.1%	10.9%	10.6%	10.4%	11.2%	12.1%	13.1%
25 to 34	14.1%	13.4%	12.7%	12.2%	12.0%	11.8%	11.5%	11.5%	10.9%	10.4%	9.9%
35 to 44	20.6%	20.3%	20.1%	19.9%	19.5%	19.1%	18.5%	17.9%	17.4%	16.8%	16.2%
45 to 54	15.0%	15.1%	15.3%	15.4%	15.7%	16.0%	16.4%	16.6%	16.7%	16.8%	16.8%
55 to 64	7.9%	8.3%	8.8%	9.1%	9.4%	9.7%	10.4%	10.8%	11.2%	11.5%	11.7%
65 +	4.7%	5.0%	5.3%	5.6%	5.8%	6.2%	6.7%	7.2%	7.7%	8.3%	8.8%
Median Age	34.1	34.4	34.7	35.0	35.2	35.6	36.2	36.7	37.1	37.4	37.7
Littleton[1]											
0 to 14	n/a	n/a	n/a	n/a	17.4%	16.7%	17.3%	17.5%	18.6%	n/a	n/a
15 to 24	n/a	n/a	n/a	n/a	11.5%	14.0%	12.5%	12.3%	11.7%	n/a	n/a
25 to 34	n/a	n/a	n/a	n/a	11.7%	10.6%	11.8%	12.1%	11.6%	n/a	n/a
35 to 44	n/a	n/a	n/a	n/a	13.2%	12.6%	12.4%	12.6%	13.2%	n/a	n/a
45 to 54	n/a	n/a	n/a	n/a	17.0%	19.1%	17.8%	17.2%	15.7%	n/a	n/a
55 to 64	n/a	n/a	n/a	n/a	12.0%	10.5%	11.4%	11.9%	13.2%	n/a	n/a
65 +	n/a	n/a	n/a	n/a	17.1%	16.5%	16.8%	16.4%	16.0%	n/a	n/a
Median Age	n/a	n/a	n/a	n/a	41.9	41.7	42.4	41.7	41.7	n/a	n/a
Median Household Income											
Metro Denver	n/a	n/a	n/a	n/a	$58,039	$60,012	$59,688	$59,919	$60,452	n/a	n/a
Arapahoe County	n/a	n/a	n/a	n/a	$58,302	$59,402	$57,779	$57,939	$58,245	n/a	n/a
Douglas County	n/a	n/a	n/a	n/a	$93,819	$97,480	$99,021	$98,584	$98,695	n/a	n/a
Littleton	n/a	n/a	n/a	n/a	$55,742	$55,074	$55,941	$55,330	$55,944	n/a	n/a

Housing Trends (Continued)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (f)
Residential Building Permits											
Metro Denver											
Single-Family Detached	12,656	14,260	15,778	10,952	7,082	3,686	2,397	3,372	3,525	5,370	6,438
Single-Family Attached	3,755	4,843	4,642	5,311	4,632	1,330	601	798	834	1,026	1,177
Multi-Family	1,858	2,681	459	1,727	3,015	4,413	438	1,002	2,008	3,240	3,779
Total	18,269	21,784	20,879	17,990	14,729	9,429	3,436	5,172	6,367	9,636	11,394
Arapahoe County											
Single-Family Detached	2,223	2,838	2,953	2,501	1,596	697	541	755	600	950	n/a
Single-Family Attached	561	679	739	1,027	732	128	79	71	12	22	n/a
Multi-Family	513	278	0	0	1,534	522	166	457	0	86	n/a
Total	3,297	3,795	3,692	3,528	3,862	1,347	786	1,283	612	1,058	n/a
Douglas County											
Single-Family Detached	2,574	3,185	4,334	2,470	1,495	844	512	716	820	1,404	n/a
Single-Family Attached	545	916	1,382	834	373	128	99	190	224	268	n/a
Multi-Family	0	515	0	640	225	420	0	0	232	227	n/a
Total	3,119	4,616	5,716	3,944	2,093	1,392	611	906	1,276	1,899	n/a
Littleton											
Single-Family Detached	62	11	10	5	4	4	3	2	3	6	n/a
Single-Family Attached	42	10	0	33	0	4	31	0	0	0	n/a
Multi-Family	0	93	0	0	0	36	166	280	0	0	n/a
Total	104	114	10	38	4	44	200	282	3	6	n/a
Existing Single-Family (MetroList)											
Metro Denver											
Sales	47,966	54,012	53,106	50,244	49,789	47,837	42,070	38,818	39,387	46,299	48,521
Average Sales Price	$253,699	$265,798	$281,332	$288,916	$281,822	$249,897	$242,413	$257,000	$255,492	$279,601	$290,785
Annual Appreciation	3.8%	4.8%	5.8%	2.7%	-2.5%	-11.3%	-3.0%	6.0%	-0.6%	9.4%	4.0%
Average Monthly Unsold Inventory	24,660	23,267	24,780	28,789	27,911	24,365	19,762	20,867	16,187	10,085	n/a
Average Days on Market	83	84	90	102	105	102	98	92	108	77	n/a
Arapahoe County (SSC, SSE, AUS, ESS)											
Sales	n/a	n/a	n/a	9,432	9,111	8,824	7,778	7,299	7,535	8,624	n/a
Average Sales Price	n/a	n/a	n/a	$277,303	$271,059	$244,347	$234,307	$246,358	$239,871	$269,911	n/a
Annual Appreciation	n/a	n/a	n/a	-0.1%	-2.3%	-9.9%	-4.1%	5.1%	-2.6%	12.5%	n/a
Average Monthly Unsold Inventory	n/a	n/a	n/a	5,184	4,877	4,003	3,100	3,498	2,563	1,487	n/a
Average Days on Market	n/a	n/a	n/a	99	104	111	105	99	117	79	n/a
Douglas County (DHL, DEP, DCW)											
Sales	n/a	n/a	n/a	7,070	7,001	5,924	5,223	5,191	5,513	6,859	n/a
Average Sales Price	n/a	n/a	n/a	$383,102	$381,811	$352,055	$337,431	$342,049	$336,337	$346,032	n/a
Annual Appreciation	n/a	n/a	n/a	7.2%	-0.3%	-7.8%	-4.2%	1.4%	-1.7%	2.9%	n/a
Average Monthly Unsold Inventory	n/a	n/a	n/a	3,507	3,607	3,649	3,340	3,269	2,552	1,743	n/a
Average Days on Market	n/a	n/a	n/a	95	101	117	126	119	132	92	n/a

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (f)
Housing Trends (Continued)											
Existing Single-Family (MetroList Continued)											
South Surburban Central (Including Littleton)											
Sales	n/a	n/a	n/a	2,078	1,933	1,714	1,600	1,595	1,652	2,002	n/a
Average Sales Price	n/a	n/a	n/a	$290,266	$308,068	$282,592	$263,451	$280,880	$282,397	$302,273	n/a
Annual Appreciation	n/a	n/a	n/a	-2.9%	6.1%	-8.3%	-6.8%	6.6%	0.5%	7.0%	n/a
Average Monthly Unsold Inventory	n/a	n/a	n/a	875	824	757	695	774	587	348	n/a
Average Days on Market	n/a	n/a	n/a	88	92	100	97	97	114	73	n/a
Existing Single-Family (Colorado Comps)											
Metro Denver											
Sales	n/a	n/a	n/a	n/a	n/a	47,486	41,384	38,004	37,902	45,756	n/a
Average Sales Price	n/a	n/a	n/a	n/a	n/a	$257,769	$251,561	$270,516	$265,124	$286,996	n/a
Annual Appreciation	n/a	n/a	n/a	n/a	n/a	-12.0%	-2.4%	7.5%	-2.0%	8.2%	n/a
Arapahoe County											
Sales	n/a	n/a	n/a	n/a	n/a	9,943	8,327	7,439	7,568	8,775	n/a
Average Sales Price	n/a	n/a	n/a	n/a	n/a	$233,916	$224,955	$234,302	$224,340	$246,852	n/a
Annual Appreciation	n/a	n/a	n/a	n/a	n/a	-3.5%	-3.8%	4.2%	-4.3%	10.0%	n/a
Douglas County											
Sales	n/a	n/a	n/a	n/a	n/a	5,084	4,549	4,756	4,916	6,044	n/a
Average Sales Price	n/a	n/a	n/a	n/a	n/a	$338,083	$332,860	$350,908	$337,859	$342,853	n/a
Annual Appreciation	n/a	n/a	n/a	n/a	n/a	-14.8%	-1.5%	5.4%	-3.7%	1.5%	n/a
Littleton											
Sales	n/a	n/a	n/a	n/a	n/a	625	513	472	497	630	n/a
Average Sales Price	n/a	n/a	n/a	n/a	n/a	$290,789	$254,808	$266,733	$266,721	$266,807	n/a
Annual Appreciation	n/a	n/a	n/a	n/a	n/a	2.5%	-12.4%	4.7%	0.0%	0.0%	n/a
New Foreclosure Filings											
Metro Denver	9,427	12,311	14,335	18,958	26,520	24,799	26,509	23,393	16,741	15,016	n/a
Arapahoe County	2,250	3,125	3,600	4,719	6,237	5,860	6,233	5,500	3,959	3,587	n/a
Douglas County	653	800	878	1,258	1,865	2,180	2,680	2,452	1,761	1,534	n/a
Littleton	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Existing Apartment Market											
Metro Denver											
Vacancy Rate	12.0%	9.7%	8.2%	7.0%	6.2%	6.6%	8.1%	5.9%	5.2%	4.7%	n/a
Average Lease Rate (Fourth Quarter)	$814.54	$821.68	$848.20	$849.89	$860.36	$888.81	$875.39	$908.77	$932.02	$978.99	n/a
Arapahoe County											
Vacancy Rate	11.7%	10.0%	7.6%	7.0%	6.2%	6.9%	9.4%	6.7%	6.1%	5.4%	n/a
Average Lease Rate (Fourth Quarter)	$803.70	$794.02	$819.57	$801.93	$813.83	$865.30	$847.95	$889.67	$900.48	$950.93	n/a
Douglas County											
Vacancy Rate	22.1%	10.9%	7.6%	6.8%	6.2%	6.9%	5.7%	4.5%	4.4%	4.3%	n/a
Average Lease Rate (Fourth Quarter)	$1,075.97	$1,035.52	$1,055.53	$1,013.62	$1,043.09	$1,020.79	$1,027.15	$1,089.60	$1,092.40	$1,186.98	n/a
Littleton											
Vacancy Rate	9.2%	8.4%	7.1%	5.4%	5.1%	5.6%	6.9%	4.1%	3.9%	4.6%	n/a
Average Lease Rate (Fourth Quarter)	$807.41	$837.45	$805.57	$703.28	$849.75	$848.64	$876.05	$850.95	$947.27	$1,016.70	n/a

[1] Population by age data for the City of Littleton is only available from the U.S. Census Bureau, American Community Survey (3-year estimates) from 2007-2011.

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