

# The Colorado Front Range Housing Market Letter

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*A monthly publication of HOME BUILDERS RESEARCH covering the Denver Metro area, and counties of Larimer, Weld and El Paso  
Providing authoritative, timely and affordable housing data and analysis*

**July 2009**

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**“HOUSING MARKET BOTTOMED OUT.....DENVER NEW HOME SALES RECORDED IN JUNE DOWN JUST 19.4% FROM LAST YEAR.... TOP SELLING PRICE BAND CAPTURES JUST 13.6% OF 2<sup>ND</sup> QUARTER SALES..... RICHMOND HOMES #1 THROUGH 1<sup>ST</sup> HALF OF 2009..... AVERAGE NEW HOME PRICE DOWN MODERATE 2.9% FROM YEAR AGO....”**

New home sales recorded in June in the Denver metro area followed a pattern similar to what we have experienced every month since early 2006. New home sales recorded for the month were down from the sales recorded in the same month a year ago. But, the deficits in the year-over-year comparisons have been shrinking each year since early 2006. The greatest percentage declines were seen starting in the 2<sup>nd</sup> quarter of 2006, and the declines have continued ever since. In 2007 the deficits year-over-year were at their greatest level, but began to show some improvement in 2008, and so far this year the deficits have been increasingly reduced.

During the first 6 months of this year there were 2,157 new home closings recorded in the Denver metro area, compared to 3,458 closings in the same 2008 period. This represented a year-over-year decline of 37.8%. For the most recent 12 months through June there were 5,324 sales recorded compared to 8526 new home sales recorded during the same 12 month period ending through June 2008. The result was a 37.6% decline from the year-over-year comparison.

The declines are not good, but the trend of steady or even slightly lesser declines is a sign that the market deterioration is not getting worse.... percentage wise.

The June decline, in comparison, is encouraging at a relatively modest 19.4% in a similar year-over-year comparison...pitting 460 new home sales this year to 571 sales recorded in June 2008.

We will see how this plays out through the 3<sup>rd</sup> quarter... we expect a larger hiccup in July compared to last year... when the sales numbers come in. We expect August and September to experience declines, but at a more moderate clip than what we have been seeing over the past 2 years.

Average and median new home prices typically will experience more moderate changes year-over-year when sales totals are more typical. When the number of sales in a market area are down substantially from the norm, we often see more erratic and substantial changes in the monthly average and even median new home prices in a year-to-year comparison.

In June the average new home price slipped just 2.9% from last year, comparing \$410,400 in June this year to \$422,800 in June 2008. The median new home price, however, dropped 9.4%, from \$347,800 down to \$315,000 during the same period.

In our monthly New Home Sales Report each month we analyze new home sales recorded in each of the seven metro area counties. From this comprehensive sales analysis we compare the overall market penetration for each of the metro area counties in a comparative graphic analysis going back to 1984. The greatest market share capture by one Denver- area county occurred in the mid 1990's when Douglas County was accounting for 30% or more of the total new home sales metro wide. In subsequent years through 2005, Adams, Arapahoe and Douglas Counties were capturing a share of the total that fell in the mid 20% range.

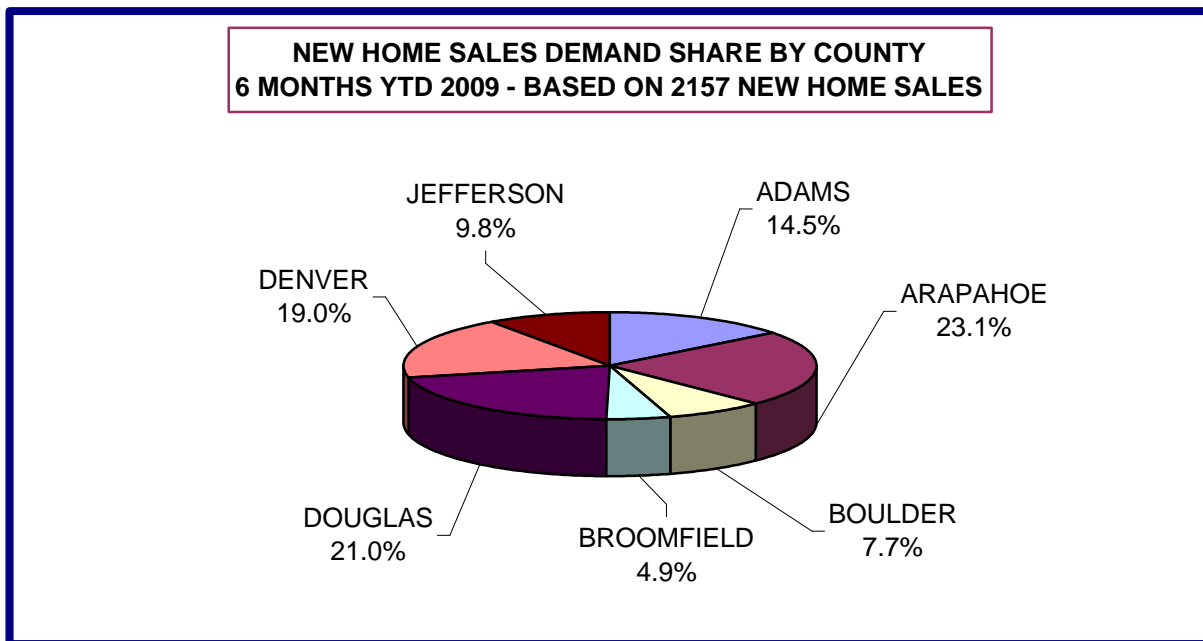
Since then the share of sales in each of the Denver area counties has become less dominated by one or two counties and has become more equally shared by four counties. The remaining three counties just do not have the same availability of developed residential land as the top selling counties of Arapahoe, Douglas, Denver and Adams Counties.

The two counties that have experienced the most consistent growth patterns since the mid 1990's have been Denver and Arapahoe Counties.

Based on new home sales recorded in the first six months of this year, Arapahoe County led the pack with a 23.1% share and Douglas County earned the #2 spot with 21.0% of the total Denver area new housing market.

In our monthly updated New Home Sales Reports in all of our market areas along the Front Range you will find several graphics tracking and analyzing various aspects of the new home market. One graphic related to this portion of the analysis illustrates the year-to-date new home sales market share trends for each of the Denver area counties for the first six months of 2009.

*The Graphic Below Illustrates the New Home Sales Market Penetration In Denver Metro Area by County Based on New Home Sales Recorded in The First 6 Months of 2009*



Our June issue of the Denver metro area *New Home Sales and Market Share Report* highlighted other interesting performance factors. We ranked the top selling builders in each of the Denver area counties and found that there were 3 builders that earned a spot in the top 3 of the builder rankings in at least two of the metro areas counties.

Engle Homes and Richmond American each captured a spot in the top 3 of three different metro area counties, while DR Horton did so in two counties.

Another interesting fact is the market share dominance of the top 3 builders in the rankings of each county when we combine there sales results through the first half of this year. Among the seven counties the top 3 builders combined to capture from 29.3% to 71.8% of the county total sales recorded in the first 6 months of 2009.

*The Table Below Ranks the Top Selling Builders in Each of the 7-Metro Area Counties Including their Combined Market Share Capture Based on New Home Sales Recorded in the First 6 Months of 2009.*

County	1	2	3	Combined Market Share
Adams	DR Horton	Taylor Morrison	Richmond	33.7%
Arapahoe	Richmond	DR Horton	Lennar	38.4%
Boulder	Markel Homes	Chanin Devl	Engle	45.6%
Broomfld	Pulte	Trammel Crow	Engle	71.8%
Douglas	Meritage	Richmond	Shea	37.1%
Denver	KB Home	New Town	Oakwood	29.3%
Jeffco	Remington	Century Comm	Engle	35.0%

The table above shows that in four of the counties the top 3 builders in the rankings combined to capture a county share of new home sales somewhere in the mid to high 30% range. Broomfield County accounted for just 4.9% of the total metro area new home sales. But, within that, Pulte accounted for 40.6% of the Broomfield total. The top 3 builders in Broomfield combined to capture a metro area leading 71.8% share of the total new home sales captured during the first 6 months of this year.

The county with the 2<sup>nd</sup> lowest metro area sales was Boulder, which also was the county with the 2<sup>nd</sup> highest market capture captured by the combined effort of the top 3 builders in the county rankings. In a more typical demand cycle we would find that the top 3 builders in each county would certainly have more actual sales than that seen in this year's period, but the builder market share capture would be less, and in some cases much less.

The full builder rankings for the Denver metro area and for each metro area county can be found in each issue of our monthly updated and published *New Home Sales and Market Share Report*.

Richmond Homes is now the top selling builder in the Denver metro area, based on 166 new home sales recorded in the first 6 months of 2009. Below we have ranked the top 6 best selling builders in the Denver metro area for the first half of this year. Please note the CCS Investments, as the #3 builder in the rankings is the entity that purchased the completed attached housing product by DR Horton that CCS ultimately sold to the new home buyer. We added the #6 builder in the rankings because that really would be #5 as an actual builder selling homes and not a pass-through from a builder to an investment entity.

*Here are the top five builders in the Denver metro area builder rankings, based on new home closings recorded in the first 6 months of 2009.*

BUILDER	6 MONTHS CLOSING	METRO MKT SHARE
<b>RICHMOND AM</b>	<b>166</b>	<b>7.8%</b>
<b>DR HORTON</b>	<b>144</b>	<b>6.8%</b>
<b>CCS INVEST</b>	<b>134</b>	<b>6.3%</b>
<b>MERITAGE</b>	<b>92</b>	<b>4.3%</b>
<b>ENGLE HOMES</b>	<b>87</b>	<b>4.1%</b>
<b>KB HOME</b>	<b>86</b>	<b>4.1%</b>

Each quarter we calculate the average sales price for every subdivision and every builder selling within each subdivision, all in the process of analyzing sales absorption and performance for every builder in the metro area. In the June issue of our New Home Sales and Market Share Report there were 696 records of individual builder subdivisions in the Denver metro 7-county area. This was based on each individual builder subdivision having at least one recorded home closing in the previous 12 months.

The total of 696 builder subdivisions was down from 888 single builder subdivisions in June 2008 and 1,025 in June 2007.....just two years ago. This has certainly be affected by some of the larger builders either leaving the Denver market, but a larger share can be attributed to far fewer smaller builders with one or multiple subdivision locations.

In our June Sales Report we looked at the 696 single builder subdivisions and pared it down to the number that had at least one new home closing recorded in each of the first two quarters of this year. The result was 208 single builder subdivisions in the metro area. Of the total 208 builder subdivisions about half experienced a decrease in the average sales price from the 1st quarter to the 2<sup>nd</sup> quarter.

Precisely, there were 106 with a higher average price, 99 with a lower average sales price in the 2<sup>nd</sup> quarter compared to the first quarter, and 3 builder subdivisions with no change from quarter to quarter. This could be attributable to reduced sales prices for specific housing, as well as to simply more lower priced homes selling than in the past. It the scenario that more lower price homes selling is likely a main contributor, based on the increasing share of attached housing sales.

Over the past 12 months through June, attached housing captured 39.4% of the total new home sales recorded in the period. This compared to a share of 32% captured by attached housing in the same 12 month period ending through June 2008.

Even the 32% share for attached new housing in last year's period is traditionally quite high. Until we began experiencing slower demand for new housing in the last couple of years, it was very typical for attached housing to account for a share of the total somewhere in the mid to low 20% range.

Virtually all of the analysis we share with our customers in this Colorado Front Range Housing Market Letter is extracted from our comprehensive housing reports published in all three of our major housing market areas analyzed.

If you would like more information about our relatively cost effectively reports, you can find more information on our website [www.hbrcolorado.com](http://www.hbrcolorado.com) or call me directly at 303-470-5220. Even with the tight budgets that we are dealing with in today's challenging market environment, many still want to know what's going on in the housing market. That's probably why you are getting the housing market letter.

However, many in the industry need more comprehensive data and analysis on the housing market than is summarized or highlighted in the Colorado Front Range Housing Market Letter. This is where Home Builders Research can also help you, by providing relatively affordable comprehensive new housing analysis that may better fit into a tight budget than other options you are familiar with or may have been using. Give me a call, or email me, and I will email samples of our housing reports to you.

One aspect of the housing market analysis that I had planned on sharing with you was the segmentation of Denver area new home sales recorded in the 2<sup>nd</sup> quarter by specific price bands. Please go to [www.hbrcolorado.com/denver-metro-area.html](http://www.hbrcolorado.com/denver-metro-area.html) to view a graph showing this new home sales segmentation by price band.

**"EL PASO CO HOUSING MARKET SHOWING INITIAL SIGNS OF BOTTOMING OUT.... REMAINING MONTHS OF LOT INVENTORY STILL HIGH COMPARED TO A YEAR AGO..... NEW HOME SALES PRICE SEGMENTATION STRONGEST FROM \$150,000 TO \$250,000 WITH 37.7% SHARE IN 2<sup>ND</sup> QUARTER...."**

New home sales recorded in El Paso County during the 2<sup>nd</sup> quarter continue to trail the pace set a year ago by a margin of 40% and more. When we compared the number of sales recorded during the most recent 12 month period through June we found that the total of 1,569 new home sales fell 40.2% below the 2,623 sales recorded in the same period a year ago. And, that trend has generally continued through to the year-to-date and current month sales totals compared to a year ago.

Through the first six months of this year there were 581 recorded sales compared to 1,102 new home sales recorded in the first half of 2008. This resulted in a 47.3% drop in sales. Even the June sales numbers fell in line with a 45.3% decline from the 203 new home sales recorded last year to the 111 sales recorded in June 2009.

One thing that we should note is that the demand for attached housing has decline considerably from a year ago. When we looked at the share of new home sales that attached housing captured in the past 12 months, the number dropped from a 25.4% share of the total new home sales the year before down to a 10.6% share for the most recent 12 months through June 2009.

The rapid decline in the share of attached housing that sold in El Paso County represented similar declines when we analyzed sales for the 1<sup>st</sup> half of this year and in the month of June. During the first half of 2008, attached new housing accounted for 28.4% of the total sales in the period. In the first 6 months of this year that same share dropped down to 11.5% of the total sales. For the month of June the year-over-year share declined from 30% last year down to a 13.5% share for attached housing in June of this year.

We also looked at permits issued for new housing over the same periods and found that the change in market share for attached housing was less dramatic than that seen based recorded sales. With attached housing it is more difficult to draw absolute conclusions regarding market based on permits issued. Home sales close one at a time, but with permits, condos and town homes are built with multiple units in a building that must be built at the same time rather than on an as needed basis.

But, based on permitted housing units, attached housing share of the total market in June fell from a 23.2% share of the total last year down to a 16.4% share in June 2009. For the first 6 months of each year the share stayed about the same, comparing a share of 21.6% in the first half of 2008 to an attached housing share of 21.8% in the same period this year.

The previous 12 month period comparison was also about the same with a 23.4% share this year compared to a 25.5% attached housing share of permitted units in the 2008 period.

In our monthly updated Permit Absorption Report by builder and subdivision, one of the facets of the housing market that we analyze every month is the amount of lot inventory ahead of the demand in the market. And, the remaining months of lot inventory have increased this year compared to inventory levels in June 2008. It's not because the number of available lots have increased over that period of time, but rather the absorption of the lots has been slower over the past 12 months compared to the year before. In June the supply of residential lots for single family detached housing units rose to 55.1 months. This was up from a 41.4 supply a year ago. The difference primarily being the average monthly

absorption of lots based on permitted housing units in the recent 12 month period compared the same 12 month period a year ago. This lot inventory analysis includes both detached and attached housing unit absorption.

During the 12 months ending through June 2008 permits issued for new for-sale housing units averaged 167 units per month. During the most recent 12 month period ending through June 2009 that monthly average declined to an average of 105 units permitted monthly, dramatically increasing the remaining months of lot and unit inventory.

We have noted before that the average and median prices of a new home begin to fluctuate more dramatically in a demand environment that has declined significantly, as has been experienced in the past year. In June, even with fewer new home sales with which to calculate an average and median new home price, these monthly updated prices did not change as much as we have seen in some of our other market areas along the Front Range.

In June the average price of a new home in El Paso County declined 7.2% from a year ago, comparing \$283,100 recently to the average price of \$305,000 in June 2008. The median new price declined a more moderate 1.9% during the same period, from \$259,100 last year down to \$254,000 in June 2009.

We mentioned earlier that we have noted improvement in the demand, or potential demand, for new housing in the county. In June there were 171 new single family units permitted in El Paso County. This was actually a substantial increase when compared to the same month the year before when there were 125 units permitted. One of the many housing performance graphics we include in our monthly published New Home Sales and Permit Absorption Report illustrates the monthly absorption of housing permits recently issued compared to the number issued in the same month the year before. In June the recently permit total showed an increase of 36.8% over the number of permits issued in June 2008.

This represented the first month since November 2005 that the total permitted housing units in the month surpassed the total units permitted in the same month a year ago. As cautious as builders have been about putting too much standing inventory on the market, this may be a telling event. That's nearly 4 years since this has occurred.

Each quarter we analysis in our El Paso County New Home Sales Report the segmentation of new home sales by price band. The best selling band continues to be the \$200,000 to \$250,000 range in El Paso County. This price band accounted for 21.3% of all new home sales recorded in the 2<sup>nd</sup> quarter. The next highest share of sales was the 16.4% accounted for in the \$150,000 to \$200,000 range.

We have published a graphic illustrating the segmentation of new home sales by price band in El Paso County. If you would like to view and print the sales segmentation graphic please go directly to [www.hbrcolorado.com/el-paso-county1.html](http://www.hbrcolorado.com/el-paso-county1.html).

A snapshot of the top selling builders in El Paso County has not really changed from a year ago. The order may have shifted minutely and the percentage share of sales for each of the top selling builders may also have changed. But, it is still the same main players.

*Below we have ranked the top selling builders based on El Paso County recorded new home sales and permits issued in the first 6 months of 2009, including county market share.*

**RECORDED HOME CLOSINGS**

1.	<b>CLASSIC HOMES</b>	<b>15.8%</b>
2.	<b>PULTE HOMES</b>	<b>8.3%</b>
3.	<b>JOURNEY HOMES</b>	<b>6.9%</b>

**PERMITS ISSUED**

1.	<b>CLASSIC HOMES</b>	<b>12.0%</b>
2.	<b>RICHMOND AM</b>	<b>11.4%</b>
3.	<b>PULTE HOMES</b>	<b>10.7%</b>

**“WELD CO NEW HOME SALES RECOVERING BETTER COMPARED TO LARIMER CO.... TOP SELLING BUILDER CAPTURES 3 TIMES THE MARKET SHARE OVER #2..... ONE PRICE BAND IN WELD AND LARIMER ACCOUNT FOR ONE-FOURTH OF SALES.... AVERAGE & MEDIAN PRICES REMAIN ERRATIC...”**

Weld County has been showing surprisingly positive results in new home demand even if it may be only temporary, based on home closings recorded over the past year compared to the same period the year before. New home demand in Larimer County, on the other hand, has remained somewhat static over the same period of time.

But, the results in both market areas are based on far fewer sales during the period than has been experienced over the past 15 years or so leading up to 2009. In Larimer County new home sales recorded in the month of June were down 42.2% compared to the same period a year ago. In Weld County, the June new home sales were down just 18% from the total sales recorded in June 2008.

While percentage declines in new home sales in Larimer County have been somewhat static over the *past 12 months*, the declines in Weld County have been decreasing. In June, the 18% decline in sales was a notable improvement over the 42.2% decline seen in Larimer County. Over the previous 12 months in Weld County there has been an improving trend in new home sales recorded over the period.

Over the past 12 months there were 654 home closings recorded in the period, resulting in a shortfall of 45.1% from the 1,191 closings recorded in the same period ending in June a year ago. In a similar comparison through the first 6 months of this year Weld’s home closings were down an “improved” 38.4% from the previous year. And, as already noted, new home closings recorded in June were down just 18.0% from the total a year ago.

In Larimer County new home closings over the past 12 months have been on a very consistent path, whether we look at the single month of June or the full 12 month months over the past year. In analyzing new home closings in a year-over-year period, the declines were 42.1% for the 12 month period, 49.7%

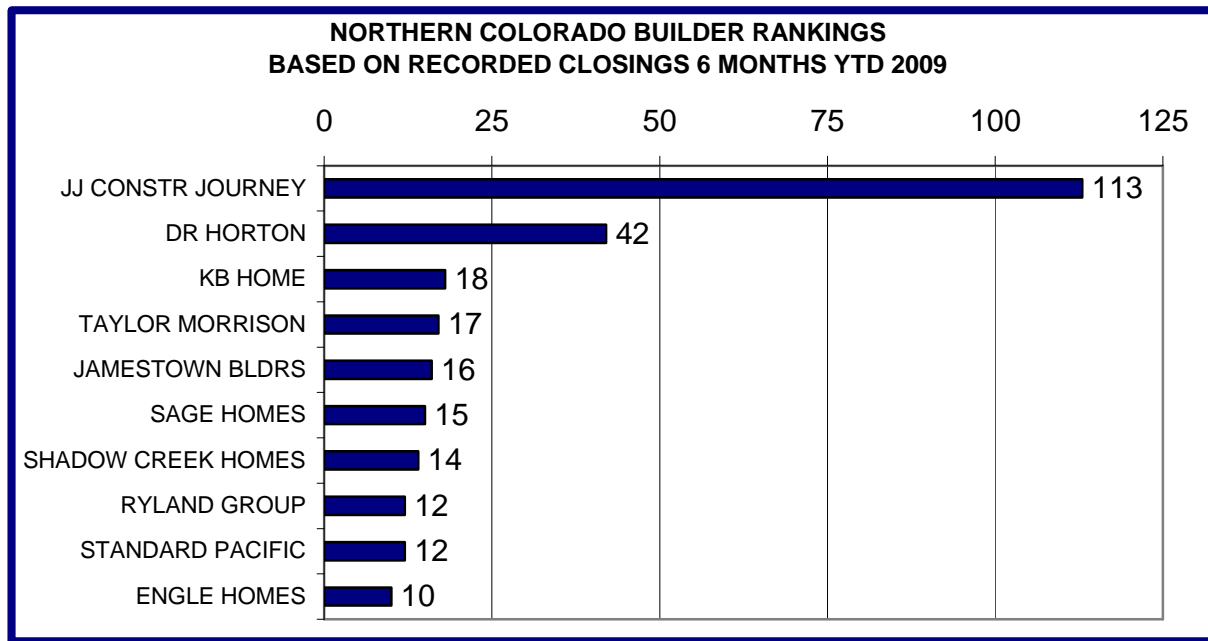
during the first 6 months of 2009, and 42.2% in the month of June. I have to mention again that with so few sales to use in this analysis it is not unlikely to find greater percentage fluctuations in the comparisons.

Average and median new home prices continue to fluctuate in an irregular manner. In *Larimer County* the average price of a new home declined 8.1% in June compared to a year ago, while the median new home price actually increased 4.4%. The average new home price fell to \$294,100, from \$320,000 in June 2008.

In Weld County the average price also declined in a similar comparison, from \$275,800 a year ago down to \$266,000 in June.... resulting in a drop of 3.6%. With relatively so fewer new home sales currently, the average new home price in *July* could easily show an increase from last year. The median price rose a modest 1.2% in June from \$250,000 last year up to \$253,000 in June 2009.

Every month in our New Home Sales and Market Share reports we rank the top selling builders in each market area. In Larimer and Weld Counties we rank the builders not only in each county, but also in northern Colorado as a whole. Journey Homes continues to "dominate" this market in an environment where buyers are tougher to capture and margins are certainly thinner. Journey Homes led to #2 builder in the rankings by a margin greater than two and a half. The 113 new home closings achieved by Journey in northern Colorado compared to 42 closings recorded by #2 DR Horton. See the graphic below.

*The Graphic Below Ranks the Top Selling Builders in Northern Colorado Based on New Home Closings Recorded in the First 6 Months of 2009.*



From a broad perspective, the top 3 best selling price bands in Weld County were concentrated in the \$150,000 to \$300,000 range. In our monthly published New Home Sales Report we have various aspects of the housing market's performance graphically portrayed, including new home sales segmented by specific price bands. In Weld County the top selling price band, based on new home closings recorded in the 2<sup>nd</sup> quarter, was the \$150,000 to \$200,000 price range that captured 26.3% of the total new home closings recorded in the period. Combined, the three consecutive price bands from \$150,000 to \$300,000 in Weld County accounted for 61.8% of the total 152 closings recorded in the quarter.

In Larimer County, the top three best selling price bands were not consecutive, but did combine to capture 59.8% of all the new home sales recorded in the 2<sup>nd</sup> quarter of this year.

If you would like to see a printable version of the new home price band sales segmentation graphic for Weld and/or Larimer County, you can do so by going to [www.hbrcolorado.com/larimer-county.html](http://www.hbrcolorado.com/larimer-county.html) for Larimer County, and for Weld County go to [www.hbrcolorado.com/weld-county.html](http://www.hbrcolorado.com/weld-county.html).

In our monthly updated New Home Sales Reports covering 10 counties along the Front Range, we also rank the top selling single-builder subdivisions in each of approximately 13 different price band segmentations we analyze in each market area.

Even in these challenging times facing our economy and the housing markets along the Front Range, there are still builders that are performing relatively very well, and in many cases dominate the market in specific price bands.

In Larimer County there were 4 price bands in which the top selling single builder community captured over 50% of the total new home sales recorded in that price band during the first 6 months of 2009. In Weld County there were 2 single builder subdivisions that accomplished the same feat.

*Below, we have extracted these top selling builder subdivisions with a 50% or more Sales share in a specific price band in one of the northern Colorado counties*

<b>Cnty</b>	<b>Price Band</b>	<b>Builder</b>	<b>Subdivision</b>	<b>City</b>	<b>Price Band Sls Share</b>
LR	\$150-175K	ENGLE	SIDEHILL CONDOS	FT COLLINS	66.7%
LR	\$225-250K	CHAPPELLE	LIBERTY CONDO	FT COLLINS	50.0%
LR	\$325-350K	VILLAGE	WILLOW BROOK	FT COLLINS	54.5%
LR	\$350-400K	SHADOW CREEK	PROVINCETOWN	FT COLLINS	73.7%
WD	\$350-400K	TAYLOR MORRISON	ERIE COMMONS	ERIE	58.6%
WD	\$400-450K	DR HORTON	VISTA POINTE	ERIE	52.9%

The full market share analysis can be found in our monthly updated New Home Sales and Market Share Reports offered in all of our housing markets analyzed along the Front Range. If you would like additional information about this report, or any of our other comprehensive housing reports you can visit our website [www.hbrcolorado.com](http://www.hbrcolorado.com), email me, or call me directly at 303-470-5220.

Even in these challenging times and tight budgets most professionals still need and want to know what's going on in the housing market.

Subscribing to this housing market letter is a great start. It gives you a good overview of the entire Front Range housing markets without having to subscribe to the more comprehensive housing analysis that we update and publish every month.

However, this newsletter is just a quick snapshot of bits and pieces of the new housing market performance.

We have several customers that buy one or more of our comprehensive housing reports on a less frequent basis such as quarterly, or even just once in a while as needed, to have a quick and accurate analysis reference of how every builder, subdivision, and market area are performing.

If you are curious about this sort of option, please visit our website and you can learn more about each of our comprehensive housing analysis reports published in the Denver metro area and in El Paso, Larimer and Weld Counties.

Or, email me or give me a call and I can discuss options available for you to get or try our reports on a one-time basis without committing to a six month subscription. Each report has a shelf life that will give you comprehensive housing analysis that is relatively sensitive to budgets in this current housing market environment compared to some other options that may be available.

**Home Builders Research** has extracted the housing market analysis, presented in this monthly housing market letter, from our detailed housing analysis reports published for all of our housing markets along the Front Range. Our housing analysis includes the market areas of El Paso County, Northern Colorado (Larimer and Weld Counties), and the Denver metro 7-county area. Our monthly or quarterly updated housing analysis reports in each of our housing markets include:

*New Home Sales and Market Share Analysis*  
*Lot Sales Report*  
*Planned Subdivision Report (with building permit fees for each jurisdiction)*  
*Permits Issued Report (except northern Colorado)*  
*New Home Closing Transaction Report*

If you would like additional information on any of our market area comprehensive housing analysis reports, give me a call at 303-470-5220 or email me at [hbrdenver@comcast.net](mailto:hbrdenver@comcast.net) and I will email sample reports to you

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