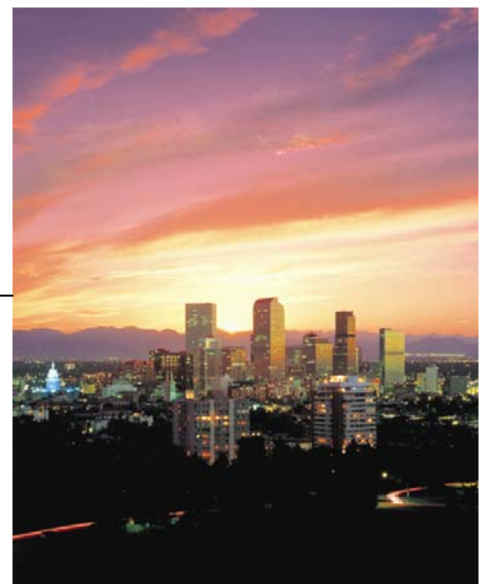
Monthly Economic Summary

A Monthly Summary of Economic Conditions in Metro Denver

(Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson Counties)



Released April 6, 2010

Development Research Partners

10184 West Belleview Avenue
Suite 100
Littleton, Colorado 80127
www.DevelopmentResearch.net
303.991.0070

The Monthly Economic Summary is a comprehensive analysis of economic conditions in the seven-county Metro Denver area, or the region comprised of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson Counties. There are two metropolitan statistical areas (MSAs) located within the Metro Denver region: the Boulder-Longmont MSA (Boulder County) and the Denver-Aurora-Broomfield MSA (Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park Counties). This report presents recent data and long-term trends for the seven-county region, MSAs, or counties, depending on availability. The analysis includes four sections: labor force and employment, the consumer sector, residential real estate, and commercial real estate.

Notable Rankings

- *Corporate Responsibility* magazine named two companies with Metro Denver headquarters – Newmont Mining Corporation and Ball Corporation – to its 2010 list of the "100 Best Corporate Citizens." Contributors evaluated companies based on more than 360 criteria including philanthropy, employee relations, and environmental stewardship. The list of winning companies also included six major Colorado employers with with out-of-state headquarters: Hewlett-Packard; Wal-Mart Stores, Inc.; Xcel Energy Inc.; Oracle Corporation; Starbucks Corporation; and Raytheon Company.
- *BusinessWeek* recognized three Colorado universities in its 2010 ranking of "The Top Undergraduate Business Programs." The University of Denver Daniels College of Business, the College of Business at Colorado State University in Fort Collins, and the University of Colorado at Boulder Leeds School of Business all ranked among the top 100 programs.
- Thomson Reuters named Rose Medical Center in Denver to its 2010 list of the "100 Top Hospitals." Rose was the only Colorado facility on the list, which identifies hospitals with an excellent reputation in patient safety and satisfaction, readmission rates, and clinical standards.
- FastCasual.com named 11 Metro Denver-based restaurants to its 2009 list of the "Top 100 Movers & Shakers." Four of the restaurants – Lakewood-based Einstein Bros. Bagels and Denver-based chains Smashburger, Qdoba, and Chipotle – ranked among the top 20. In a separate ranking, food industry consulting firm Technomic Inc. named Chipotle and Broomfield-based Noodles & Company to its list of the fastest-growing restaurants in 2009.
- Denver ranked seventh on *Forbes*' 2010 list of the "Top 20 Most Wired American Cities." Denver's high overall score reflects an even higher ranking for access options, or the number of high-speed Internet service providers. Denver also ranked among the top fifteen cities for prevalence of Wi-Fi hotspots and the percentage of homes with high-speed Internet access.
- Denver ranked fourth among medium- and large-sized cities for prevalence of telecommuting, according to a survey recently released by Microsoft. Criteria for the ranking included the percentage of employees able to telecommute, the share of companies with formal telecommuting policies, and the extent to which companies provide managerial and technical support for telecommuters.
- A 2010 study by Symantec Corporation shows Metro Denver at a relatively high risk of cyber-crime. The region ranked eighth among the nation's 50 largest metro areas for cyber-crime exposure, which Symantec estimated using data on online shopping and wireless Internet activity, malware infections, and other factors.
- The April 2010 edition of *Men's Journal* magazine called Denver the "Best Place to Live Downtown." The magazine highlighted Denver's pedestrian-friendly layout and abundant access to sporting events, arts venues, and unique dining options.

- Denver is the nation's fifth-best travel value, according to the 2010 "Travel Value Index" by Hotwire.com. Contributors recognized Denver as a favorite destination for outdoor recreation and gave the city high ranks for affordable entertainment, airfare, and accommodations.
- Data from the U.S. Environmental Protection Agency show Denver ranked fourth among the 25 U.S. cities with the most Energy Star-rated buildings in 2009. The data also show that Energy Star buildings in Denver generated an emissions savings equivalent to the emissions from 39,300 homes.
- Metro Denver is the nation's seventh "greenest" city, according to the *Business Courier of Cincinnati*'s 2010 "Green Cities Index." The index ranked 43 metro areas on criteria including traffic congestion and sprawl, green jobs, and the number of LEED-certified projects.
- Metro Denver has the nation's 15th best labor market for young adults, according to a 2010 analysis by Portfolio.com/bizjournals. The study ranked the nation's 67 largest metro areas on criteria including income level and cost of living, young adult population and educational attainment, and young adult unemployment rates.
- The JuJu Job Search Difficulty Index – compiled by job search engine JuJu.com – ranked Metro Denver as the eighth-easiest place to find a job in March 2010. The index compares the count of the unemployed to the count of online job listings in each of 50 metro areas.
- Data recently released by the U.S. Census Bureau show the Denver-Aurora-Broomfield metropolitan statistical area (MSA) was the nation's 21st largest metro area in 2009. The region ranked 29th for 2009 percentage population growth behind a group of metro areas heavily concentrated in Texas and North Carolina. The Greeley MSA ranked 18th for 2009 population growth, and the Grand Junction MSA ranked fifth.
- A 2010 report released by KPMG LLP suggests Denver is the seventh-most expensive large city in which to do business. In its report, the tax advisory firm evaluated 22 U.S. cities based on taxes, costs of labor and utilities, and other costs businesses would incur over a ten-year period of operations. The study rates San Francisco, New York, and Los Angeles as most expensive and Tampa, Atlanta, and Miami as least expensive.
- A 2010 study released by Equifax Inc. suggests the Denver-Aurora-Broomfield MSA ranked among 15 regions with the highest number of commercial bankruptcy filings in the fourth quarter of 2009. The Equifax data – which were based on Chapter 7, 11, and 13 filings – show the Los Angeles, Riverside/San Bernadino, and Sacramento MSAs reported the most fourth quarter commercial bankruptcies.

Policy Watch

A massive congressional effort to overhaul the nation's healthcare system dominated policy discussions in March. With the Patient Protection and Affordable Care Act now signed into law, analysts are just beginning to determine what reform will mean for individuals, businesses, and tax policy. Meanwhile, several other policies have been proposed or enacted.

- President Obama signed the Hiring Incentives to Restore Employment (HIRE) Act in mid-March. The act includes a provision that temporarily forgives the employer portion of Social Security payroll tax on newly hired workers who were previously unemployed for at least 60 days. The act also provides $20 billion in federal funding for highways and roads.
- Legislators are considering the HOMESTAR program – popularly called "cash for caulkers" – as part of a larger package of legislation designed to boost overall hiring, energy efficiency, and growth of "green" jobs. The HOMESTAR program would give homeowners rebates and other incentives for purchases of new windows, insulation, and other energy-saving equipment.

- The Temporary Extension Act of 2010 gave the U.S. Small Business Administration an additional $60 million to support a higher government guarantee and fee waivers for small business loans. The extension for the popular loan incentives ended on March 28, but subsequent legislation gave the SBA an additional $40 million to extend the loan terms through April 30, 2010.
- Colorado Governor Bill Ritter recently enacted HB 1001, which increases the state's renewable portfolio standard. The new standard requires investor-owned utilities to generate 30 percent of their retail electricity from renewable sources by 2020 and replaces the 20 percent standard previously in effect. Colorado's new standard is one of the highest in the nation.
- Proposed legislation from the Colorado Senate would create the "Colorado Work Share Program," a system designed to discourage layoffs. To qualify for the program, employers considering a layoff would instead need to reduce hours across a certain portion of their workforce. The affected workers would then qualify for Unemployment Insurance benefits to cover the lost hours.
- The Colorado Clean-Air Clean Jobs Act would require Xcel Energy and other regulated utilities with Front Range coal-fired power plants to retire or retrofit the plants by 2017. The proposal – which is designed to help the state meet federal clean-air mandates – requires utilities to reduce emissions on 900 megawatts or 50 percent of their generating capacity, whichever is less. While the plan is expected to receive legislative approval, it has pitted some environment and public health groups against the state's coal and railroad industries and legislators who say the conversions will burden residents with high energy bills.
- Colorado HB 1049 – legislation that gives auto dealers specific rights when faced with a forced closure – became law in March. The law allows a closed dealership the right of first refusal when automakers decide to re-open a nearby franchise, and provisions also allow dealerships to reclaim a re-assigned franchise or receive settlement payments for their closure. The legislation was designed to support the state's Chrysler and General Motors dealerships that were forced to close when the automakers declared bankruptcy in 2009. At least one Colorado dealership has been reinstated so far.
- Colorado government officials say the state's fiscal health is slowly improving. Higher-than-expected corporate and individual income tax collections have generated a slight budget surplus for the current fiscal year, and analysts say the surplus could grow if several additional pieces of budget-balancing legislation pass. Analysts also say the projected deficit for the next fiscal year has declined thanks to stronger revenue forecasts and budget cuts enacted this year. They warn, however, that the state's budget picture will look bleaker when federal stimulus dollars are withdrawn in the 2011-2012 fiscal year. Noting that the overall budget outlook – while improved – remains precarious, government officials say they will not repeal earlier budget cuts that affected business tax exemptions, public schools, and other interests.

General Economic Overview

The fourth quarter 2009 edition of the Brookings Institution's *MetroMonitor* report suggests economic recovery in the mountain states – including Colorado – is lagging recovery elsewhere. Part of the slower-than-typical recovery could reflect the magnitude of the recession's damage in the West, where housing markets suffered particularly large declines. Contrary to the trends of prior recessions, western job markets have also borne some of the largest losses reported nationwide. Despite these challenges, Metro Denver and other mountain metros have maintained relatively stable unemployment rates. The Denver-Aurora-Broomfield MSA, for example, ranked fifth in the Brookings report for smallest change in unemployment rate as of late 2009.

National economic indicators suggest the economy is slowly recovering, but mixed trends are likely in the months ahead. The U.S. trade deficit declined unexpectedly in January as imports and exports fell from December levels. Crude oil imports – which have a major influence on the overall trade deficit – fell in January to the lowest level reported since February 1999. While declines in both imports and exports do not necessarily suggest the global recovery has stalled, analysts say smaller trade gains are likely in the coming months as world economies work to maintain momentum.

Many economists also expect growth in the nation's economic output to slow in the near term. The U.S. Bureau of Economic Analysis' final estimate of fourth quarter 2009 gross domestic product (GDP) growth was revised downward from prior estimates, but the fourth quarter growth rate (5.6 percent) was still the strongest reported since mid-2003. Continued growth at that rate, however, appears unlikely. Lower-than-expected household spending and lower business spending – particularly spending on real estate – were major factors in the downward revision, and the near-term outlook for these key economic drivers is subdued. Rapid economic growth in the fourth quarter also relied on a somewhat temporary shift in manufacturing. Roughly two-thirds of the nation's fourth quarter economic growth reflected business' efforts to rebuild low inventories, and those efforts seem likely to taper until consumer spending strengthens. Overall, many economists expect first quarter GDP growth in the two to three percent range.

The modest outlook for output growth is one factor behind the Federal Reserve's reluctance to raise interest rates. Members of the Federal Reserve's Open Market Committee (FOMC) recently noted that labor markets have stabilized and household spending is slowly increasing, but limited hiring, low income growth, and a sluggish housing market are testing the recovery. As a result, the FOMC voted to keep its target federal funds rate between zero and 0.25 percent. In the meantime, the Federal Reserve is proceeding with plans to end various credit market support and liquidity programs.

Economic Indexes

National Economy

- Gains in the Conference Board's Leading Economic Index (LEI) continue to shrink in a trend some economists say reflects the normal transition from recovery to expansion. Less optimistic analysts say the weakening growth rates reflect a modest recovery short on essential improvements in employment and consumer spending. The February LEI rose 0.1 percent after gaining 0.3 percent and 1.2 percent in January and December, respectively.
- The Institute for Supply Management's Purchasing Managers Index for February (56.5) was the seventh consecutive monthly reading above the growth neutral level of 50. A slower index growth rate, however, suggests the manufacturing expansion may be slowing. Survey respondents described conditions in the manufacturing sector as generally good, though some respondents said conditions vary by geography and market.
- The Institute for Supply Management's Non-Manufacturing Index for February (53) was the second consecutive monthly reading above the growth neutral level. While the data suggest the nation's service sector is expanding, most survey respondents stopped short of calling business conditions "good." Respondents blamed high unemployment and sluggish housing trends for consumers' continued caution.

Local Economy

- The University of Colorado's Leeds Business Confidence Index for the second quarter rose above the growth neutral level of 50 in a move that suggests local business outlooks are improving. The index had remained below the neutral point since the third quarter of 2007, but increasing business optimism about sales and profits helped move the second quarter confidence index to 51.7 from 49.7 in the prior quarter. Local businesses remain pessimistic, however, about near-term hiring and capital investment. Colorado business leaders also expressed a downbeat outlook for the national economy in the second quarter and voiced concerns over high unemployment and the rising national debt.

- The Vectra Bank Colorado Small Business Index rose from 83.6 in January to a February level of 85.9, which was the strongest reading reported since October 2008. Analysts say GDP growth, a stabilizing job market, and low interest rates will support a better small business climate in the coming months.
- The Goss Institute's Business Conditions Index for Colorado registered above growth neutral for the sixth consecutive month in March. The March reading of 57 was lower than the February value of 58.8, however, and analysts say the state's progress out of recession will be slow.

Labor Force and Employment

Metro Denver employers added roughly 4,600 jobs between January and February, but the February gain was smaller than the increase reported for the month in prior years. Employers in professional and business services, education and health services, leisure and hospitality, other services, and government reported job gains between January and February.

Total February employment across all Metro Denver industries was 3.4 percent below the employment total for February 2009. The over-the-year gap in the region's employment has now eased for six consecutive months in a trend that suggests Metro Denver job loss peaked in August 2009. Total statewide employment in February 2010 was 3.6 percent below the year-ago level, and nationwide employment was 2.5 percent below the level from February 2009.

Nonfarm Wage & Salary Employment
(000s, not seasonally adjusted)

	Month of Feb-10 (p)	Month of Jan-10	Month of Feb-09	Year-to-Date Average 2010	Year-to-Date Average 2009	Year-to-Date Average % Change	Annual Growth Rate 2005	Annual Growth Rate 2000
Total 11-County Metro Denver*	1,314.2	1,309.6	1,359.8	1,311.9	1,363.4	-3.8%	1.9%	4.3%
Denver-Aurora MSA	1,156.9	1,154.0	1,198.3	1,155.5	1,202.5	-3.9%	2.0%	4.0%
Boulder-Longmont MSA	157.3	155.6	161.5	156.5	160.9	-2.8%	1.7%	6.2%
Natural Resources & Construction	70.6	71.6	83.5	71.1	84.7	-16.1%	4.8%	10.7%
Manufacturing	74.9	75.5	80.6	75.2	81.4	-7.6%	0.6%	-1.0%
Wholesale & Retail Trade	195.7	197.1	204.6	196.4	206.4	-4.8%	2.3%	3.5%
Transp., Warehousing & Utilities	46.2	46.7	49.2	46.5	49.6	-6.3%	-0.5%	8.3%
Information	53.5	53.6	56.2	53.6	56.4	-5.0%	-5.8%	9.6%
Financial Activities	98.5	98.8	100.9	98.7	101.0	-2.3%	1.5%	0.3%
Professional & Business Services	218.6	218.0	231.3	218.3	232.9	-6.3%	3.8%	7.0%
Education & Health Services	158.6	156.9	156.8	157.8	156.2	1.0%	3.2%	2.9%
Leisure & Hospitality	135.6	135.1	136.3	135.4	136.6	-0.9%	3.0%	4.5%
Other Services	53.2	53.0	52.5	53.1	52.9	0.5%	0.5%	1.0%
Government	208.8	203.3	207.9	206.1	205.6	0.2%	0.7%	2.4%
Federal Gov't	30.4	30.5	30.2	30.5	30.3	0.5%	-1.4%	-0.5%
State & Local Gov't	178.4	172.8	177.7	175.6	175.3	0.2%	1.1%	3.1%
Colorado	2,180.0	2,172.4	2,261.8	2,176.2	2,266.5	-4.0%	2.1%	3.8%
United States	128,079	127,606	131,314	127,843	131,435	-2.7%	1.7%	2.2%

**Includes the Denver-Aurora-Broomfield MSA (Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park Counties) and the Boulder-Longmont MSA (Boulder County).*
Source: Colorado Department of Labor and Employment, Labor Market Information. (p) =preliminary

Government spokespeople say the ongoing decennial census should support roughly 8,000 temporary jobs in Colorado. Many of those positions have already been filled, but census administrators still hope to hire additional enumerators who will follow up with non-responding households.

Census activity may be one of few positive influences on government employment, which is beginning to show the effects of widespread fiscal troubles. Adams 12 Five Star Schools, for example, recently announced a budget cut that will claim roughly 185 district jobs this summer. Spokespeople say additional job cuts are likely during the 2011-2012 school year, and students will face higher fees and more limited programming.

Budget cuts are also affecting the employment outlook in higher education. Greeley-based Aims Community College is ending satellite programs in Ft. Lupton, Loveland, and Greeley, and roughly 20 employees will lose their jobs. The Aims Flight Center at the Greeley-Weld Airport – one of two Metro Denver facilities that provide FAA-certified courses in air traffic control – is part of the planned closure. Aims officials say they will seek a third party to operate the training program.

While the public sector employment outlook weakens beyond census time, hiring trends for the private sector should slowly improve. Some of this improvement in Metro Denver will occur as the region's reputation for good business climate and quality of life attracts new companies. Kidrobot Inc., for example, recently relocated its New York City headquarters to Boulder. Spokespeople for the limited-edition toy manufacturer say roughly 12 workers have relocated from New York, and the company is also hiring additional staff for marketing, customer service, and other departments. Total Kidrobot employment in Boulder could approach 40 workers.

Metro Denver Industry Cluster Headlines

Aerospace: Federal government officials recently cancelled Project Keystone, a development effort that would have created a 350,000-square-foot office building for the Aerospace Data Facility Colorado. The Data Facility is currently located at Buckley Air Force Base in Aurora, and developers were roughly two weeks from groundbreaking on the new Project Keystone building when officials announced the change of plans. Government spokespeople say money for the project was needed elsewhere.

Littleton-based ADA Technologies Inc. recently received more positive news on a government contract. Spokespeople say ADA received a NASA contract award that will help researchers refine and test the company's fine-water mist (FWM) fire extinguishers. Under the contract, ADA will build a prototype FWM extinguisher for spacecraft, where the limited mess and indoor air pollution of FWM technology could prove particularly useful.

Aviation: Officials with Denver International Airport (DIA) say the groundbreaking for an off-concourse hotel – an event officials had scheduled for this year – will be delayed until 2011. The delay will allow architects to include the hotel in plans for a comprehensive redesign of the south end of the terminal. Also included in the design plans are a train station and plaza for the 23-mile commuter rail line that will connect DIA with Denver's Union Station. Work on the rail line is scheduled to begin this year.

Cleantech: Three solar energy companies with Metro Denver headquarters made major announcements in March. Chevron Corporation recently selected Loveland-based Abound Solar as one of seven companies to have its thin-film solar technology installed at Project Brightfield, a commercial-scale test site in Bakersfield, California. Chevron officials say a three-year, side-by-side test of solar products will help researchers understand the technologies and their potential applications.

A second Metro Denver solar energy company – Thornton-based Ascent Solar Technologies, Inc. – announced two production agreements in March. Under one agreement, FTL Solar, LLC will purchase at least $6.5 million of Ascent's thin-film modules and will integrate the technology into umbrellas, tents, awnings, and other products. Under the second agreement, Ascent will partner with Indian engineering company Kirloskar Integrated Technologies Limited. Kirloskar plans to integrate thin-film modules into various consumer- and defense-related products and power systems.

Finally, Arvada-based PrimeStar Solar Inc. announced plans to partner with major investor General Electric Corp. (GE) to research and develop an advanced thin-film technology. GE spokespeople say testing in four global research centers should yield an unmatched solar technology.

March was also a month for major developments in wind power. Denmark-based Aluwind Inc. – a manufacturer of aluminum wind turbine and tower components – announced plans to launch its U.S. operations in Castle Rock. City officials say the company supplies components for three of the four largest wind turbine manufacturers and could employ up to 100 workers in the coming months. Officials also say Aluwind chose the Castle Rock location for its strategic placement between Vestas Wind Systems facilities in Pueblo and Brighton.

Vestas itself made headlines with the announcement of a major turbine order for a Wisconsin wind farm. Vestas will deliver the 81-turbine order to Wisconsin's We Energies in 2011, and Vestas spokespeople say all towers, blades, and nacelles (housings) for the turbines will be manufactured in Colorado.

Broomfield-based Renewable Energy Systems (RES) Americas also made a major project announcement in March. Spokespeople say the Cedar Point Wind Project – located in Lincoln and Elbert Counties – will include turbines, substations, and more than 40 miles of overhead transmission line. RES Americas will use Colorado-built Vestas wind turbines for the project, and Xcel Energy has agreed to purchase the wind farm's generated power. Construction on Cedar Point will begin over the next several months, and the finished project should generate enough energy to power roughly 68,000 homes.

As Metro Denver's existing wind power companies take on more projects, new companies are also forming. One such company, Boulder Wind Power, plans to hire up to 30 workers to staff the business' Boulder headquarters. An engineer formerly with the National Renewable Energy Laboratory launched the company that will focus on design, development, and production of a direct-drive technology that could make wind turbines more reliable. A company official says a proof-of-concept model and prototype should be ready in two to three years.

IT Hardware and Software: IBM recently laid off a number of workers at the company's Boulder campus, but company spokespeople did not say how many jobs were affected. IBM locations in other U.S. cities have also reported recent layoffs.

Financial Services: San Francisco-based Wells Fargo & Co. continues to develop plans for hiring a significant number of financial advisors. Bank spokespeople recently unveiled near-term plans to hire 1,400 advisors nationwide and say the bank could add as many as 10,000 advisors over the long term. Wells Fargo ranks as Colorado's largest bank by deposits.

Telecommunications: Broomfield-based Level 3 Communications recently received $13.8 million in federal stimulus-funded contract awards that will support rural broadband expansion in six states. Level 3 will use the funds – in conjunction with $4.1 million of its own matching funds – to extend broadband infrastructure to households, businesses, and community buildings in rural areas of Texas, California, Kansas, Tennessee, Georgia, and Florida.

Employment Outlook

Results from the most recent *Manpower Employment Outlook Survey* suggest the nation's employers may gradually add more workers. Roughly 16 percent of nationwide survey respondents said they would add jobs in the second quarter, and eight percent said they would cut jobs. Those figures yield a net employment outlook of a positive eight percent, which in turn suggests that one in twelve U.S. employers will add jobs over the next three months. Analysts say the survey results show the nation's labor market slowly gaining momentum, but they caution that uninterrupted – and stronger – hiring activity will be necessary to heal labor markets.

Regional Manpower survey data suggest Metro Denver employers are taking a cautious approach to hiring. Roughly 13 percent of employers in the Denver-Aurora-Broomfield MSA and 10 percent of employers in the Boulder MSA reported plans to hire in the second quarter. When adjusted for the percentage of employers planning layoffs, the net employment outlook for the Denver-Aurora-Broomfield MSA is a positive four percent, and the net outlook for the Boulder MSA is a positive two percent. Put another way, roughly one in 25 employers in the Denver-Aurora-Broomfield MSA plans to add jobs in the second quarter, and one in 50 Boulder employers will add positions. Nearly three-quarters of employers in the nationwide and Metro Denver regional surveys said they would not change their staffing levels in the second quarter.

Employment Outlook Survey

	Quarter 2 2010	Quarter 1 2010	Quarter 2 2009	YTD Avg 2010	YTD Avg 2009	Ann Avg 2005
Denver-Aurora MSA						
Percent of Companies Hiring	13%	8%	10%	11%	13%	29%
Percent of Companies Laying Off	9%	11%	13%	10%	13%	7%
Percent of Companies No Change	74%	75%	73%	75%	72%	61%
Percent of Companies Unsure	4%	6%	4%	5%	4%	3%
Boulder MSA						
Percent of Companies Hiring	10%	15%	14%	13%	16%	29%
Percent of Companies Laying Off	8%	11%	15%	10%	14%	8%
Percent of Companies No Change	73%	70%	66%	72%	66%	58%
Percent of Companies Unsure	9%	4%	5%	7%	5%	6%

Note: 2009 results are for the Denver-Aurora-Broomfield and Boulder MSAs. Prior years' data are for slightly different geographies but are roughly comparable to 2009 figures.
Source: Manpower Inc.

Metro Denver's unemployment rate declined slightly between January (8.2 percent) and February (8.1 percent). February unemployment rates in the seven Metro Denver counties ranged from 6.5 percent in Boulder County to 9.8 percent in Adams County, and the rate in each county was higher than the year-ago level. The statewide unemployment rate reached 8.3 percent in February, and the nationwide rate averaged 10.4 percent for the month.

Seasonally adjusted data – which is only available for the U.S. as a whole and for states – suggest the nation's unemployment rate was unchanged between January and February. A slight increase in Colorado's seasonally adjusted unemployment rate could suggest that "discouraged workers" – those not counted as unemployed because they are not actively seeking work – are now resuming job searches.

The Metro Denver average weekly count of claims for unemployment insurance filed in February declined from the January average. The average weekly count of claims filed through the first two months of 2010 was down more than 21 percent from the average for the same months in 2009. Similarly, statewide claims declined 19.3 percent year-to-date in February.

Labor Force Statistics
(000s, not seasonally adjusted civilian labor force)

	Feb 2010 (p)		2010 YTD Avg		2009 YTD Avg		2005	2000
	Labor Force	Unemploy-ment Rate	Labor Force	Unemploy-ment Rate	Labor Force	Unemploy-ment Rate	Ann Avg Unemploy-ment Rate	Ann Avg Unemploy-ment Rate
Metro Denver	1,488.3	8.1%	1,488.2	8.2%	1,531.0	7.6%	5.2%	2.6%
Adams County	220.9	9.8%	220.8	9.8%	226.3	8.8%	5.8%	2.8%
Arapahoe County	301.3	8.0%	301.4	8.0%	310.5	7.5%	5.2%	2.4%
Boulder County	171.7	6.5%	171.3	6.6%	175.1	6.3%	4.5%	2.4%
Broomfield County*	29.6	7.3%	29.7	7.4%	30.6	6.9%	4.9%	2.4%
Denver County	313.7	9.1%	313.8	9.1%	323.2	8.6%	5.8%	3.0%
Douglas County	153.9	6.6%	154.0	6.6%	159.3	6.4%	4.2%	2.1%
Jefferson County	297.1	7.9%	297.2	7.9%	305.9	7.4%	5.0%	2.4%
Colorado	2,636.9	8.3%	2,637.3	8.3%	2,715.5	7.6%	5.1%	2.7%
United States	153,194	10.4%	153,076	10.5%	153,625	8.7%	5.1%	4.0%

**Broomfield County was formed in November 2001 from parts of Adams, Boulder, Jefferson, and Weld Counties.*
Source: Colorado Department of Labor and Employment, Labor Market Information. (p) =preliminary

Weekly First-Time Unemployment Insurance Claims

	Month of Feb-10	Month of Jan-10	Month of Feb-09	YTD Avg 2010	YTD Avg 2009	YTD Avg % Change
Metro Denver	2,183	2,416	2,977	2,300	2,919	-21.2%
Colorado	3,956	4,506	5,279	4,231	5,244	-19.3%

Note: Reference week data includes the 19th day of the month for all months except November and December, which include the 12th day of the month.
Source: Colorado Department of Labor and Employment, Labor Market Information.

Consumer Sector

California-based Smart & Final Inc., a value-oriented grocery chain, is preparing to launch a new brand in Colorado. The company purchased five former Albertson's sites throughout Metro Denver and will reopen the stores as SmartCo Foods outlets beginning in June. Spokespeople say SmartCo stores – which will be larger than the company's existing grocery outlets – will offer bakeries, expanded meat and produce departments, and a selection of standard and bulk-size groceries. Stores will not require discount or membership cards and will cater to both institutional and household customers. Company spokespeople also say they will hire roughly 100 new employees per store and will open a regional office in Metro Denver.

The launch of a value-oriented grocery chain could prove timely for consumers, many of whom are struggling to repair their finances. Data from the Federal Reserve show U.S. household net worth rose for the third consecutive quarter in the fourth quarter of 2009. Despite the improvement, data still suggest that households remain under pressure. The 1.3 percent increase in net worth between the third and fourth quarters was considerably smaller than the prior two gains and fell short of the increase economists say would be necessary to promote stronger consumer spending. Overall, fourth quarter net worth remained more than 19 percent below net worth from 2007.

Like household wealth, personal income also has significant ground to recover. Coloradans' personal income declined more in 2009 than the national average income measure, according to data from the U.S. Bureau of Economic Analysis (BEA). The state's total personal income – a measure that includes wages from work, selfemployment income, income from interest and dividends, and other sources – fell 2.2 percent between 2008 and 2009. The national average income measure contracted by a smaller 1.7 percent. On a per capita basis, Colorado personal income fell 3.9 percent between 2008 and 2009, while nationwide per capita income declined 2.6 percent. Colorado's relatively strong population growth is one factor in its weaker-than-average per capita income trends, but the BEA data also suggest that Coloradans may have sustained larger 2009 losses in interest, dividends, and rental income than their peers nationwide.

Consumers' income struggles have taken a toll on travel and leisure. The combination of weak household spending and limited snowfall in early 2010 reduced skier visits to many Colorado resorts, analysts say. Data released by Colorado Ski Country USA show skier visits at member resorts down two percent season-to-date through February. Data from Vail Resorts – which are not part of Colorado Ski Country USA – show skier visits between November and January down 1.6 percent from the same period one year ago.

Spending on recreation and other discretionary items will likely remain subdued until consumer confidence rebounds more solidly. A March increase in the Conference Board's U.S. Consumer Confidence Index partially recovered a sizeable decline reported in February, but Conference Board economists note that consumers remain relatively pessimistic. The share of consumers with a negative assessment of current business and labor market conditions significantly outweighs the share with a positive view, and the share expecting better job conditions in the months ahead is significantly smaller than the share expecting less hiring. *The Mountain Region Consumer Confidence Index rose a slight two-tenths of a point in March, but the region's overall reading suggests Mountain Region consumers remain more pessimistic than the national average.*

Consumer Confidence Index

	Month of Mar-10 (p)	Month of Feb-10	Month of Mar-09	YTD Avg 2010	YTD Avg 2009	YTD Avg % Change	Ann Avg 2005
Mountain	44.6	44.4	32.8	50.4	33.9	48.7%	120.3
United States	52.5	46.4	26.9	51.8	29.9	73.2%	100.3

Source: The Conference Board. (p) =preliminary

Data from the U.S. Department of Commerce show nationwide retail sales rose 0.3 percent between January and February. The increase was slightly stronger than forecasts, many of which expected winter weather on the East Coast to dampen shoppers' spirits. Analysts interpreted the February gain in dramatically different ways, with some saying the modest increase reflected weak spending habits likely to prevail until hiring and income grow. Others say the February gain – which was the fourth monthly increase in the past five months – shows a consumer sector on the mend.

Metro Denver retail sales during the critical month of December were just 0.1 percent lower than sales in December 2008. December sales in both years were significantly lower, however, than the pre-recession peak sales total recorded in December 2007. In short, consumer activity in Metro Denver was beginning to stabilize in late 2009, but retail sales have significant distance to recover. The Metro Denver sales total for all 12 months of 2009 was 11.8 percent lower than the total from 2008, and annual sales declines for the seven metro counties ranged from 5.9 percent in Douglas County to 17.7 percent in Adams County. Statewide, retail sales in 2009 were 12.2 percent lower than sales in 2008.

Total Retail Sales ($000s)

	Month of Dec-09	Month of Nov-09	Month of Dec-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual Growth 2004	Annual Growth 1999
Total Metro Denver	10,592,077	5,871,104	10,598,841	79,467,708	90,133,379	-11.8%	7.4%	7.0%
Adams County	1,399,407	1,002,252	1,425,491	12,954,621	15,732,013	-17.7%	11.7%	10.5%
Arapahoe County	2,195,387	1,190,738	2,013,850	16,061,233	17,492,968	-8.2%	2.6%	10.2%
Boulder County	1,353,275	546,069	1,494,692	7,969,488	8,780,840	-9.2%	2.1%	4.1%
Broomfield County	213,047	103,599	226,026	1,487,903	1,630,806	-8.8%	49.4%	
Denver County	2,965,936	1,672,849	3,037,050	22,955,319	26,656,807	-13.9%	8.1%	2.2%
Douglas County	877,434	470,211	810,048	6,132,614	6,514,746	-5.9%	16.9%	18.3%
Jefferson County	1,587,591	885,386	1,591,684	11,906,530	13,325,199	-10.6%	3.8%	7.3%
Colorado	18,409,528	9,621,545	19,094,898	133,974,327	152,588,255	-12.2%	7.8%	7.4%

Source: Colorado Department of Revenue.

Data from the U.S. Bureau of Labor Statistics show the February Consumer Price Index for all items was 2.1 percent higher than the year-ago index level. An increase in energy prices – which heavily influence overall CPI – was largely behind the gain. The February price index for all goods except food and energy, however, rose only 1.3 percent over-the-year. This measure suggests that price pressures in the slowly healing economy remain relatively minute.

Still, analysts with the U.S. Energy Information Administration say motorists should expect gasoline prices near and above $3 per gallon this spring and summer. The increase – which is already occurring in many areas – partly reflects the normal seasonal transition between winter and summer gasoline formulations. Stronger demand is also to blame. According to the AAA *Daily Fuel Gauge Report*, the national average price per gallon of regular gasoline rose roughly nine cents between February and March and ended the month at $2.80. While the Metro Denver average for March ($2.65) was lower than the national average, prices in the region rose more steeply over the month. Specifically, the March average was roughly 12 cents more per gallon than the February average.

In a sign that travel trends are gradually returning to normal, the February average occupancy rate for Metro Denver hotels (56.7 percent) rose above the 51.6 percent rate reported one year prior. Average room rates, however, are still depressed. The February average rate for all Metro Denver hotels was $99.56, or a level six percent below the average from February 2009.

Metro Denver Hotel Statistics

	Month of Feb-10	Month of Jan-10	Month of Feb-09	YTD Avg 2010	YTD Avg 2009	YTD Avg % Change	Annual 2005	Annual 2000
Percent of Hotel Rooms Occupied	56.7%	51.1%	51.6%	53.8%	50.6%	6.3%	64.1%	68.6%
Average Hotel Room Rate	$99.56	$98.77	$105.99	$99.17	$105.46	-6.0%	$91.10	$89.57

Source: Rocky Mountain Lodging Report.

January passenger traffic at Denver International Airport (DIA) was 2.9 percent higher than the level recorded in January 2009. Recent travel trends at DIA have been stronger than the nationwide trend, which – according to the U.S. Bureau of Transportation Statistics – showed domestic and international enplanements through all of 2009 down 5.3 percent from enplanements in 2008.

Denver International Airport Passengers

	Month of Jan-10	Month of Dec-09	Month of Jan-09	YTD Total 2010	YTD Total 2009	YTD Total % Change	Annual 2005	Annual 2000
Number of Airline Passengers	3,776,403	4,003,422	3,669,679	3,776,403	3,669,679	2.9%	43,387,369	38,751,687

Source: Denver International Airport, Traffic Statistics.

Stock markets gained in March despite broad policy changes and an uncertain employment outlook. On a year-to-date basis, the three major national indexes posted gains between four and six percent. The Bloomberg Colorado Index has performed better and showed an 8.2 percent year-to-date return in March.

Stock Market Indexes

	Month of Mar-10	Month of Feb-10	Month of Mar-09	YTD Return 2010	YTD Return 2009	Ann Avg Return 2005
Bloomberg Colorado	349.0	329.5	200.2	8.2%	-9.2%	16.9%
S&P 500	1,169.4	1,104.5	797.9	4.9%	-11.7%	3.0%
NASDAQ	2,398.0	2,238.3	1,528.6	5.7%	-3.1%	1.4%
DJIA (Dow Jones)	10,856.6	10,325.3	7,608.9	4.1%	-13.3%	-0.6%

Sources: Bloomberg.com, Yahoo! Finance

Residential Real Estate

Faced with the limited success of its Home Affordable Modification Program (HAMP), the federal government recently announced changes that policymakers hope will benefit more troubled homeowners. The new initiatives –which will take effect this fall – require lenders to consider principal reduction for borrowers whose mortgage debt equals or exceeds 115 percent of their homes' value. Policy changes will also create a temporary principal modification program for unemployed borrowers. The new assistance measures include additional incentives for loan servicers, although banks' willingness to participate remains in question.

Home Resales

Data from the National Association of Realtors (NAR) show U.S. existing home sales declined 0.6 percent between January and February, but February sales were still seven percent higher than sales from February 2009. February sales increased from the January total in the Northeast and Midwest, and sales declined in the South and West. Looking ahead, economists say sales activity leading up to the homebuyers' tax credit expiration on April 30 will determine the future of a currently "fragile" recovery in housing.

Metro Denver home sales in February moved contrary to sales in the broader western market. Data from Metrolist show Metro Denver closed home sales rose 3.5 percent between January and February, although February sales were slightly below the year-ago total. By contrast, Metro Denver average home prices thus far in 2010 have risen noticeably from 2009 levels. In February, the region's year-to-date average single-family home price was 13.4 percent higher than the average for the first two months of 2009. The February average condominium price rose 12.8 percent on a year-to-date basis.

Previously-Owned Home Sales Activity

	Month of Feb-10	Month of Jan-10	Month of Feb-09	YTD Total 2010	YTD Total 2009	YTD Total % Change	Ann Avg 2005	Ann Avg 2000
Home Sales (Under Contract)	4,414	3,690	4,183	8,104	8,014	1.1%	65,256	37,130
Home Sales (Closed)	2,436	2,353	2,484	4,789	4,953	-3.3%	53,106	48,611
Unsold Homes on Market	18,869	17,465	20,059	18,869	20,059	-5.9%	23,092	8,820
Average Sales Price-Single Family	$269,688	$260,530	$236,920	$265,197	$233,949	13.4%	$307,529	$239,779
Average Sales Price-Condo	$166,206	$157,701	$138,239	$161,999	$143,630	12.8%	$189,035	$145,197
Median Sales Price-Single Family	$220,750	$210,000	$192,000	$217,000	$185,000	17.3%	$247,000	$195,000
Median Sales Price-Condo	$132,500	$130,500	$117,725	$131,077	$115,301	13.7%	$160,000	$126,500

Note: Data includes the seven-county Metro Denver region plus Elbert, Park, Gilpin, and Clear Creek Counties as well as portions of the Loveland area.
Source: MetroList, Inc.

Home Prices

Data from the NAR show the nationwide median home price in February ($165,100) was 1.8 percent lower than the median price reported for February 2009. The Northeast was the only U.S. region to report an over-the-year increase (+7.5 percent) in February median home price. The February median declined from the year-ago level in the Midwest (-2 percent), the South (-4.2 percent), and the West (-9.8 percent).

According to a second NAR data set, 67 metro areas reported an increase in median home price between the fourth quarters of 2008 and 2009. The increases in median home price for the Denver-Aurora-Broomfield and Boulder MSAs – 11.2 percent and 3.2 percent, respectively – ranked 16th and 45th largest. Unlike the medians in the Metro Denver MSAs, the nationwide median home price and the median price in 83 other metro areas declined between the fourth quarters of 2008 and 2009.

The nationwide median for all of 2009 ($173,200) was down nearly 12 percent over-the-year, while the median in the Boulder MSA ($346,000) fell a much smaller 3.8 percent. Price trends were stronger in the Denver-Aurora-Broomfield MSA, where the 2009 median price of $219,900 represented a slight, 0.3 percent increase from the 2008 median. The Denver-Aurora MSA was one of 24 metropolitan areas to report an increase in median home price between 2008 and 2009, and the region's median price ranked 26th highest in the nation. The Boulder MSA's 2009 median home price ranked 11th highest overall. The National Association of Realtors will release median home prices for the first quarter of 2010 on May 11.

Median Sales Price of Existing Single-Family Homes ($000s)

	Quarter 4 2009 (p)	Quarter 3 2009 (r)	Quarter 4 2008	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change	Median 2004	Median 1999
Boulder-Longmont MSA	$335.1	$358.3	$324.7	$346.0	$359.6	-3.8%	$325.3	n/a
Denver-Aurora-Broomfield MSA	$223.2	$229.1	$200.8	$219.9	$219.3	0.3%	$239.1	$171.3
United States	$172.9	$178.2	$180.2	$173.2	$196.6	-11.9%	$195.2	$141.2

Source: National Association of REALTORS. (p) =preliminary (r) =revised

The over-the-year change in each of the S&P/Case-Shiller Home Price Indices – all 20 metro area indices and both composite indices – improved between December and January. The January improvement brought the 10-City and 20-City composite indices as close to a positive over-the-year change as they have been in three years. Nine of the 20 metro indices showed a positive over-the-year change in January, and Denver ranked sixth among the group of nine for largest percentage growth (2.6 percent). Analysts say the index reflects a stabilizing market in Metro Denver but does not suggest that home prices will steadily appreciate. In fact, some analysts believe that unemployment and difficult labor markets are driving a new wave of foreclosures, which could in turn trim home prices in the coming months.

Foreclosures

The count of Metro Denver foreclosure filings in February was 11.3 percent higher than the year-ago count. February filings increased from year-ago levels in each of the seven metro counties except the City and County of Broomfield. In the remaining counties, February filings rose anywhere from two percent to 24 percent above filings reported in February 2009.

Real Estate Foreclosures

	Month of Feb-10	Month of Jan-10	Month of Feb-09	YTD Total 2010	YTD Total 2009	YTD Total % Change	Annual Total 2005
Total Metro Denver*	2,015	1,754	1,810	3,769	3,663	2.9%	14,335
Adams County	395	382	388	777	812	-4.3%	3,281
Arapahoe County	498	402	439	900	842	6.9%	3,600
Boulder County	110	107	93	217	170	27.6%	619
Broomfield County	24	23	26	47	48	-2.1%	124
Denver County	424	426	400	850	912	-6.8%	3,713
Douglas County	237	141	191	378	381	-0.8%	878
Jefferson County	327	273	273	600	498	20.5%	2,120

**Figures represent the total number of election and demand setups received by county public trustees in the given period. Some foreclosures may be subsequently cured or withdrawn.*
Sources: Colorado Division of Housing.

RealtyTrac data show the nationwide count of properties with foreclosure filings rose two percent between January and February. While February's property count was six percent higher than the year-ago level, the percentage increase was the smallest reported since January 2006. RealtyTrac analysts say foreclosure mitigation programs are slowing the pace of filings.

New Homes

Data from the U.S. Department of Commerce show nationwide new home sales declined for the fourth consecutive month in February, and the February sales total fell 13 percent below the year-ago sales level. Many real estate analysts say severe winter storms sidelined potential homebuyers in February, and the 20 percent decline in February sales for the Northeast region does suggest weather played a role. February home sales also declined from January levels in the Midwest (-18 percent) and the South (-4.6 percent). By contrast, home sales in the West rose 20.8 percent in February.

While winter weather clearly affected new home buying trends early in the year, ongoing economic concerns are also dampening markets. The same pair of influences affected February new housing starts, which declined 5.9 percent from January. Still, the count of February new housing starts was a slight 0.2 percent higher than the number reported one year ago. Compared to February 2008 levels, February 2009 housing starts increased in each U.S. region except the South, and gains in the remaining regions ranged from 6.5 percent in the Northeast to 21.2 percent in the West.

Improvements relative to last year's trends are positive news, but gains on 2009 lows still leave housing markets in a state of distress. The recent slowdown in building permits – a forward-looking indicator for new construction – also suggests that builders remain concerned about rising foreclosures, hesitant consumers, and limited credit for new development. The National Association of Homebuilders/Wells Fargo Housing Market Index declined between February and March, and a sub-index measuring prospective buyer traffic fell to the lowest level reported in one year.

MONTHLY ECONOMIC SUMMARY

Metro Denver building activity moved somewhat contrary to building trends in other regions and accelerated noticeably between January and February. The count of permits for single-family detached homes in February was nearly three times the count from February 2009, and the count of permits for condominiums and townhomes nearly doubled over-the-year. The year-to-date count of Metro Denver permits for all types of residential housing rose 34.2 percent in February from the count for the first two months of 2009.

Metro Denver's building permit issuance could rise further in the coming months as builders slowly return to the market. Centex Corp. – a brand under Pulte Homes of Colorado – will re-enter the Metro Denver homebuilding market after leaving in 2008. Spokespeople say low interest rates and the homebuyers' tax credits have combined to make an ideal market for cost-conscious shoppers, and the company plans to respond with a 42-home Commerce City development aimed at first-time homebuyers.

Residential Building Permits

	Month of Feb-10	Month of Jan-10	Month of Feb-09	YTD Total 2010	YTD Total 2009	YTD Total % Change	Total 2005	Total 2000
Single-Family Detached Units	356	226	133	582	273	113.2%	15,778	15,873
Single-Family Attached Units	71	45	40	116	104	11.5%	4,642	3,321
Multi-Family Units	35	0	149	35	169	-79.3%	459	9,116
Total Units	462	271	322	733	546	34.2%	20,879	28,310

Source: Home Builders Association of Metro Denver.

Apartment Rental Market

Seasonal trends tend to drive Metro Denver's average apartment vacancy rate higher at the end of the year, so a fourth quarter increase in Metro Denver vacancy was partly expected. At the same time, though, the region's comparatively high vacancy level in the fourth quarter (7.7 percent) still reflects a market with significant slack. For the seven Metro Denver counties, fourth quarter vacancy rates ranged from 5.5 percent in Douglas County to 8.8 percent in the City and County of Denver. Douglas County was the only one of the seven counties where the 2009 annual average vacancy rate fell below the 2008 rate. For all of Metro Denver, the annual average apartment vacancy rate in 2009 rose to 8.1 percent from 6.6 percent in the prior year.

Because vacancy in 2009 was considerably above the equilibrium rate of approximately five percent, Metro Denver rental rates declined. The region's average rental rate in 2009 ($877) was slightly below the $882 monthly average reported in 2008. Arapahoe County was the only Metro Denver county in which the 2009 average monthly rental rate increased from the prior year.

Apartment Statistics

	Quarter 4 2009	Quarter 3 2009	Quarter 4 2008	YTD Average 2009	YTD Average 2008	YTD Average % Change	Annual Average 2004	Annual Average 1999
Apartment Vacancy Rate	7.7%	7.4%	7.9%	8.1%	6.6%		9.7%	4.5%
Average Monthly Rental Rate (all units)	$875	$881	$889	$877	$882	-0.6%	$817	$717

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

Swedish home furnishings retailer IKEA is preparing to break ground on a 415,000-square-foot store near Park Meadows Mall. Spokespeople say construction should begin in mid-2010, and the store should be open for customers in fall 2011. The completed store – which analysts say should attract customers in a 200-mile radius – could employ 400 workers.

Not far from the new IKEA location, Centennial-based United Launch Alliance will lease roughly 600,000 square feet in four buildings. Officials with the aerospace company had been seeking to consolidate the company's local real estate, and spokespeople say the new locations will effectively create a walk-able campus for the company's Metro Denver workers.

While many brokers expect much of this year's commercial real estate activity to focus on existing properties, some new development should still proceed. Kentucky-based developer Corporex recently announced plans to begin the first phase of the Fitzsimons Village development, which will ultimately fill a 32-acre parcel adjacent to the Anschtuz Medical Campus in Aurora. Builders will soon break ground on a 153-room Springhill Suites by Marriott hotel and a six-story office building to be occupied by the Children's Hospital Association and other Children's Hospital administrators. The new buildings could open next year.

Even with several projects in the pipeline, the pace of Metro Denver office market construction remains relatively slow. *According to CoStar Realty Information, Inc., the total square footage of Metro Denver office space under construction during the first quarter of 2010 was roughly one-third the volume under construction in the first quarter of 2008. Other first quarter fundamentals – while not greatly improved from prior quarters' levels – were more encouraging. The Metro Denver direct office market vacancy rate fell from 13.9 percent in the fourth quarter of 2009 to a first quarter level of 13.7 percent, or the same rate reported one year prior. The first quarter direct average lease rate of $20.03 per square foot was 5.7 percent lower than the year-ago rate.*

Office Market Statistics

	Quarter 1 2010	Quarter 4 2009	Quarter 1 2009	Quarter 1 2008	Quarter 1 2007	Quarter 1 2006
Number of Buildings	5,424	5,406	5,393	5,329	5,253	5,206
Existing Square Feet (millions)	163.0	162.8	161.8	159.0	157.7	156.0
Vacant Square Feet (direct, millions)	22.4	22.7	22.1	19.0	20.1	20.6
Vacancy Rate (direct)	13.7%	13.9%	13.7%	11.9%	12.8%	13.2%
Vacancy Rate (with sublet)	14.6%	14.9%	14.9%	12.7%	13.6%	14.4%
Avg. Lease Rate (direct, per sq. ft, full service)	$20.03	$20.08	$21.24	$21.48	$19.75	$17.45
New Construction Completed (year-to-date)	0.01 MSF, 1 Bldg	1.56 MSF, 22 Bldgs	0.40 MSF, 9 Bldgs	0.08 MSF, 8 Bldgs	0.34 MSF, 5 Bldgs	0.18 MSF, 9 Bldgs
Currently Under Construction	1.16 MSF, 7 Bldgs	1.17 MSF, 8 Bldgs	1.85 MSF, 24 Bldgs	3.49 MSF, 65 Bldgs	2.23 MSF, 76 Bldgs	1.21 MSF, 31 Bldgs

Source: CoStar Realty Information, Inc. MSF=Million Square Feet

Trends in the region's industrial market were nearly flat between the fourth and first quarters. Data from CoStar Realty Information, Inc. show the direct industrial market vacancy rate declined slightly to 6.7 percent in the first quarter of 2010, and the market's direct average lease rate of $4.75 per square foot was seven percent below the year-ago level. Industrial market construction in the first quarter was more or less at a standstill, much as it has been for the past year.

CoStar data suggest vacancy rates in Metro Denver's flex market have risen to higher levels than rates for the other property types. The direct flex market vacancy rate of 14.9 percent in the first quarter of 2010 was seven-tenths of a percentage point higher than the year-ago rate, and the total vacancy rate – which includes sublet space – reached the highest point reported since mid-2005. Still, the market's first quarter direct average lease rate of $9.66 per square foot managed to rise a slight 0.7 percent over-the-year. No flex market construction occurred in the first quarter or in the prior two quarters.

Industrial Market Statistics

	Quarter 1 2010	Quarter 4 2009	Quarter 1 2009	Quarter 1 2008	Quarter 1 2007	Quarter 1 2006
Number of Buildings	6,723	6,705	6,702	6,674	6,614	6,564
Existing Square Feet (millions)	214.7	214.5	214.4	212.4	209.6	207.5
Vacant Square Feet (direct, millions)	14.3	14.5	14.8	12.8	13.0	15.6
Vacancy Rate (direct)	6.7%	6.8%	6.9%	6.0%	6.2%	7.5%
Vacancy Rate (with sublet)	7.0%	7.0%	7.3%	6.3%	6.5%	7.9%
Avg. Lease Rate (direct, per square foot, NNN)	$4.75	$4.83	$5.11	$5.16	$4.96	$4.79
New Construction Completed (year-to-date)	0.01 MSF, 1 Bldg	0.23 MSF, 6 Bldgs	0.11 MSF, 2 Bldgs	0.28 MSF, 10 Bldgs	0.07 MSF, 2 Bldgs	0.73 MSF, 6 Bldgs
Currently Under Construction	0.02 MSF, 1 Bldg	0.03 MSF, 2 Bldgs	0.06 MSF, 1 Bldg	1.26 MSF, 15 Bldgs	2.49 MSF, 28 Bldgs	0.83 MSF, 17 Bldgs

Source: CoStar Realty Information, Inc. MSF=Million Square Feet

Flex Space Statistics

	Quarter 1 2010	Quarter 4 2009	Quarter 1 2009	Quarter 1 2008	Quarter 1 2007	Quarter 1 2006
Number of Buildings	1,353	1,352	1,345	1,320	1,298	1,279
Existing Square Feet (millions)	37.9	37.9	37.7	36.8	36.2	35.7
Vacant Square Feet (direct, millions)	5.7	5.6	5.4	4.2	4.7	4.5
Vacancy Rate (direct)	14.9%	14.7%	14.2%	11.5%	12.9%	12.6%
Vacancy Rate (with sublet)	15.5%	15.4%	14.9%	12.2%	13.5%	13.2%
Avg. Lease Rate (direct, per square foot, NNN)	$9.66	$9.54	$9.59	$9.38	$8.72	$8.38
New Construction Completed (year-to-date)	0 MSF, 0 Bldgs	0.30 MSF, 9 Bldgs	0.06 MSF, 3 Bldgs	0.26 MSF, 5 Bldgs	0 MSF, 0 Bldgs	0.02 MSF, 1 Bldgs
Currently Under Construction	0 MSF, 0 Bldgs	0 MSF, 0 Bldgs	0.22 MSF, 5 Bldgs	0.35 MSF, 15 Bldgs	0.11 MSF, 3 Bldgs	0.50 MSF, 13 Bldgs

Source: CoStar Realty Information, Inc. MSF=Million Square Feet

Metro Denver's retail market showed early signs of stability in the first quarter of 2010. CoStar data show the market's direct vacancy rate declined in the first quarter to 8.5 percent, or a rate similar to the year-ago level. The market's total vacancy rate also declined slightly, but further improvement will be necessary before average lease rates begin to recover and building activity rebounds. The first quarter direct average lease rate of $16.23 per square foot was 3.6 percent lower than the year-ago average. Construction volume fell more significantly, with the total square footage of retail space under construction in the first quarter roughly equal to one-tenth the construction volume reported in the first quarter of 2008.

Retail Market Statistics

	Quarter 1 2010	Quarter 4 2009	Quarter 1 2009	Quarter 1 2008	Quarter 1 2007	Quarter 1 2006
Number of Buildings	8,772	8,725	8,679	8,524	8,416	8,258
Existing Square Feet (millions)	155.3	154.7	153.4	149.5	147.1	143.4
Vacant Square Feet (direct, millions)	13.2	13.4	13.1	10.4	10.3	9.9
Vacancy Rate (direct)	8.5%	8.7%	8.6%	7.0%	7.0%	6.9%
Vacancy Rate (with sublet)	8.8%	9.0%	9.0%	7.2%	7.2%	7.1%
Avg. Lease Rate (direct, per square foot, NNN)	$16.23	$16.30	$16.84	$16.27	$16.56	$15.40
New Construction Completed (year-to-date)	0.03 MSF, 3 Bldgs	2.06 MSF, 80 Bldgs	0.68 MSF, 27 Bldgs	0.20 MSF, 12 Bldgs	0.38 MSF, 7 Bldgs	N/A
Currently Under Construction	0.43 MSF, 10 Bldgs	0.53 MSF, 12 Bldgs	0.33 MSF, 15 Bldgs	4.40 MSF, 72 Bldgs	5.79 MSF, 62 Bldgs	N/A

Source: CoStar Realty Information, Inc. MSF=Million Square Feet

Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	⇑	⇓	Employment increased 4,600 jobs Jan to Feb; YTD emp. down 3.8% through Feb 2010.
% Companies Hiring (Denver Area)	⇑	⇑	13% of companies expect to add workers in Q2 2010 and 74% expect no change.
Unemployment Rate	⇓	⇑	Metro rate 8.1% in Feb; YTD avg. rate of 8.2% up from 7.6% in 2009.
Initial Unemployment Insurance Claims	⇓	⇓	Claims decreased Jan to Feb; YTD claims down 21.2% through Feb 2010.
Total Retail Sales	⇑	⇓	Metro retail increased Nov to Dec; total sales down 11.8% YTD through Dec 2009.
Consumer Confidence Index	⇑	⇑	Mountain Region up to 44.6 in Mar from 44.4 in Feb; index up 48.7% YTD through Mar 2010.
Hotel Occupancy	⇑	⇑	Hotel occupancy increased from 51.1% in Jan to 56.7% in Feb; occupancy up 6.3% YTD.
DIA Passengers	⇓	⇑	Traffic decreased Dec to Jan; traffic up 2.9% YTD through Jan 2010.
Bloomberg Colorado Index	⇑	⇑	Bloomberg Colorado Index up 5.9% from Feb to Mar; year-to-date return at 8.2%.
Dow Jones Industrial Average	⇑	⇑	DOW increased 5.1% Feb to Mar; year-to-date return at 4.1%.
Home Sales (closed)	⇑	⇓	Home sales increased 3.5% Jan to Feb; YTD sales down 3.3% through Feb.
Median Home Price (Denver-Aurora MSA)	⇓	⇑	Median home price in Denver MSA down 2.6% Q3 to Q4 2009; YTD price up 0.3%
Foreclosures	⇑	⇑	Foreclosures increased 14.9% Jan to Feb; YTD up 2.9% through Feb 2010.
Residential Building Permits (Total)	⇑	⇑	Total permits increased between Jan and Feb; YTD up 34.2% through Feb 2010.
Apartment Vacancy Rate	⇑	⇑	Vacancy rate increased from 7.4% in Q3 to 7.7% in Q4; avg rental rate at $875 per month.
Office Vacancy Rate (with Sublet)	⇓	⇓	Vacancy down from 14.9% to 14.6% in Q1 2010; avg lease rate down to $20.03/sq.ft.
Industrial Vacancy Rate (with Sublet)	⇐⇒	⇓	Vacancy rate unchanged at 7% in Q1 2010; avg lease rate down to $4.75/sq. ft. (NNN)
Retail Space Vacancy Rate (with Sublet)	⇓	⇓	Vacancy rate down from 9% to 8.8% in Q1 2010; avg. lease rate down to $16.23/sq. ft. (NNN)
Positive Changes	**13 of 18**	**12 of 18**	

Development
Research Partners

Economic and Demographic Research

Industry Studies

Fiscal and Economic Impact Analysis

Real Estate Economics

10184 West Belleview Avenue
Suite 100
Littleton, Colorado 80127
www.DevelopmentResearch.net
303.991.0070