

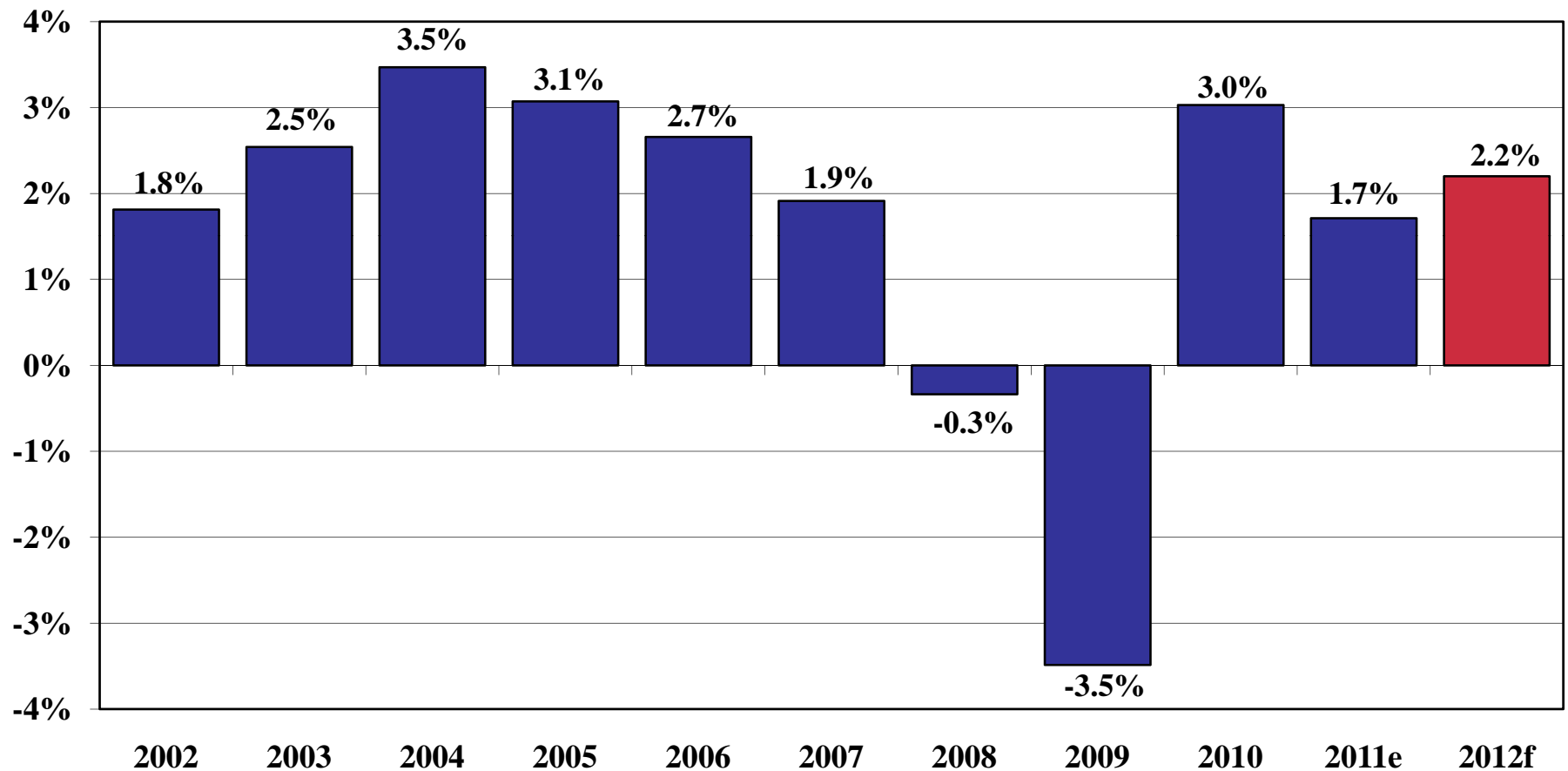
# REMODELING THE ECONOMY



**Metro Denver  
2012 Economic Forecast  
January 2012**



# Real Gross Domestic Product Annual Average Growth Rates



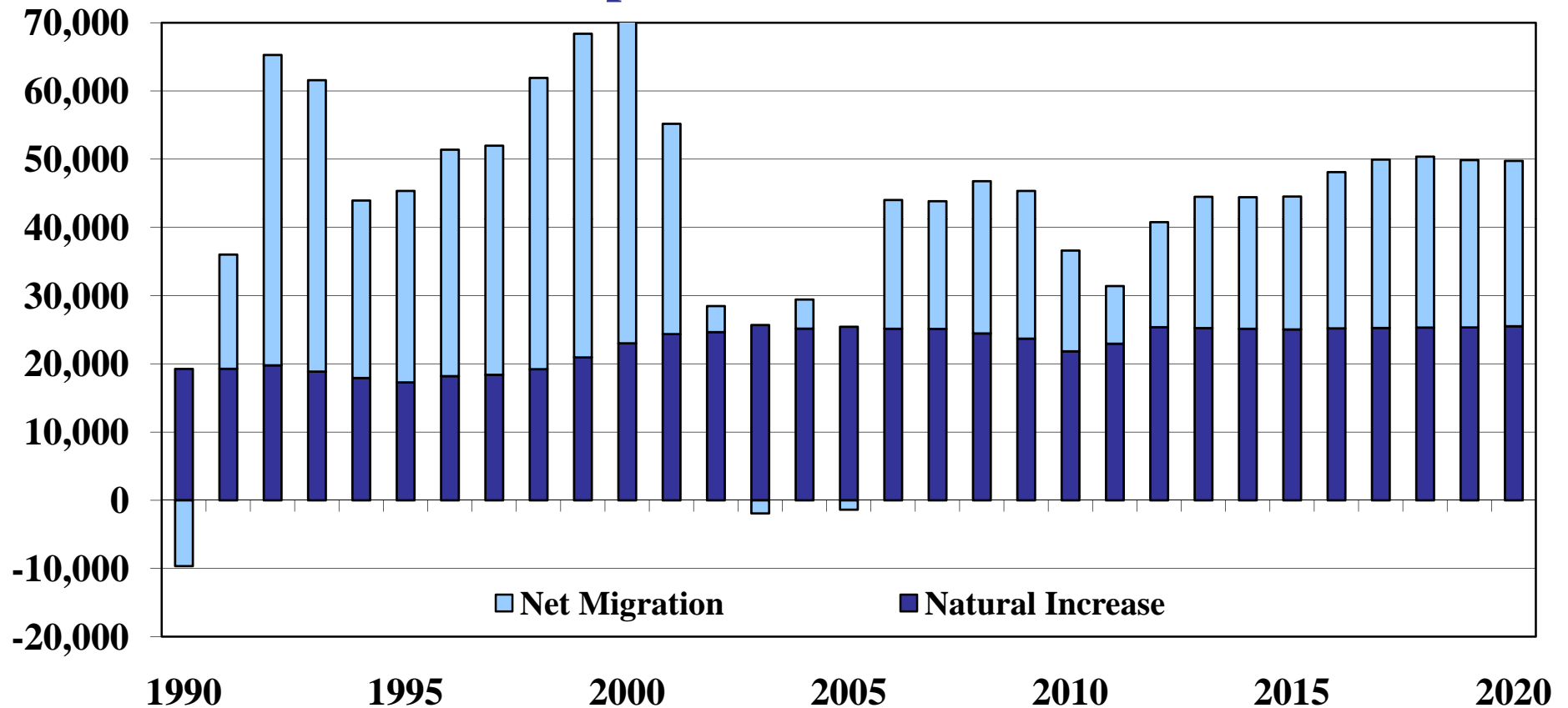
Source: U.S. Bureau of Economic Analysis.

# How sound is the foundation of the economic structure?

- ◆ **Consumer** spending (about **71 percent** of GDP)
- ◆ **Private investment** (about **13 percent** of GDP)
  - Home buying and remodeling
  - Business purchases of software, equipment, and real estate
  - Private investment contribution to GDP 18 percent smaller in 3Q2011 than it was before the recession.
- ◆ **Government** spending (about **19 percent** of GDP)
- ◆ **Net exports** (**subtracts 3 percent** from GDP)

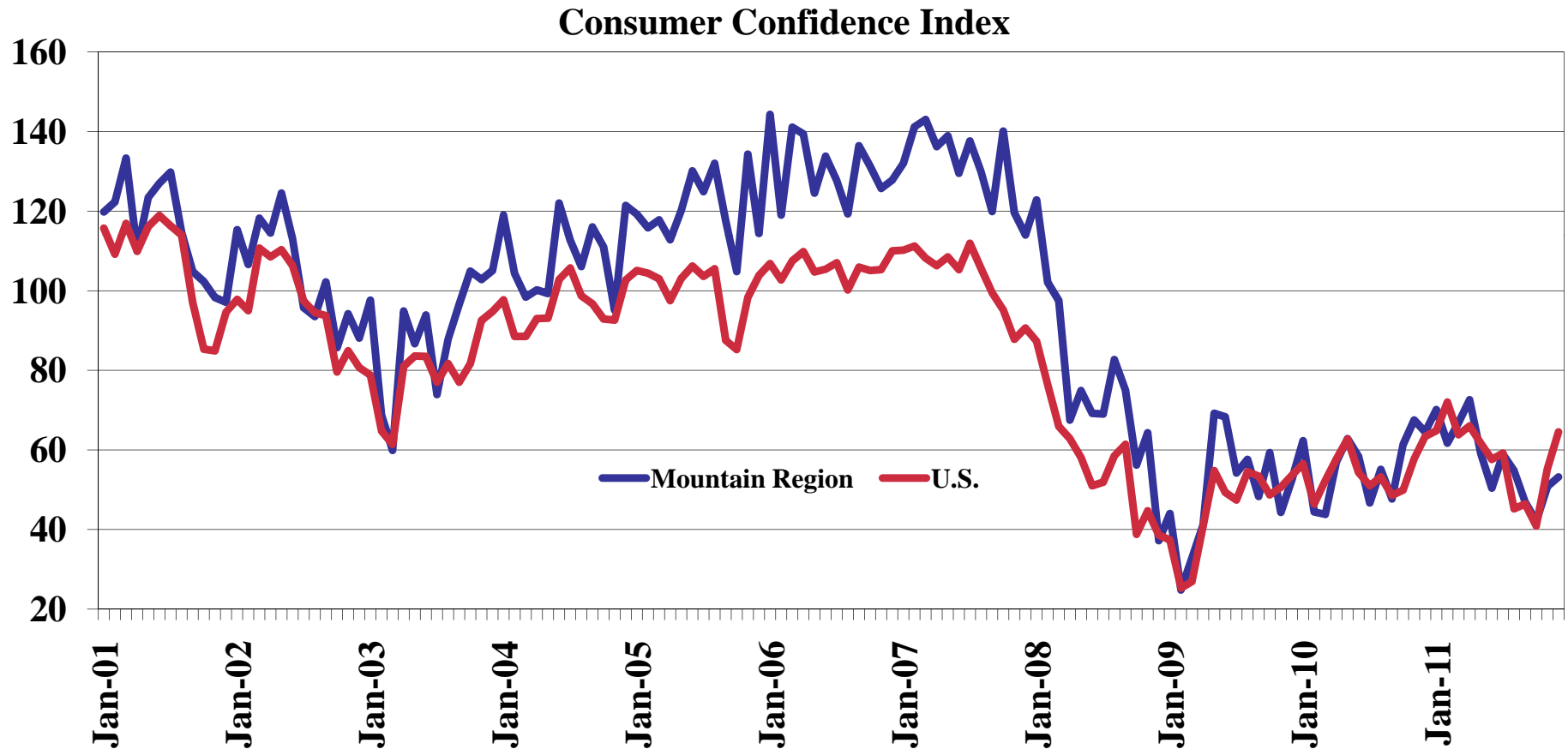
# Metro Denver Annual Change in Population

2011 Population = 2.8 million



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

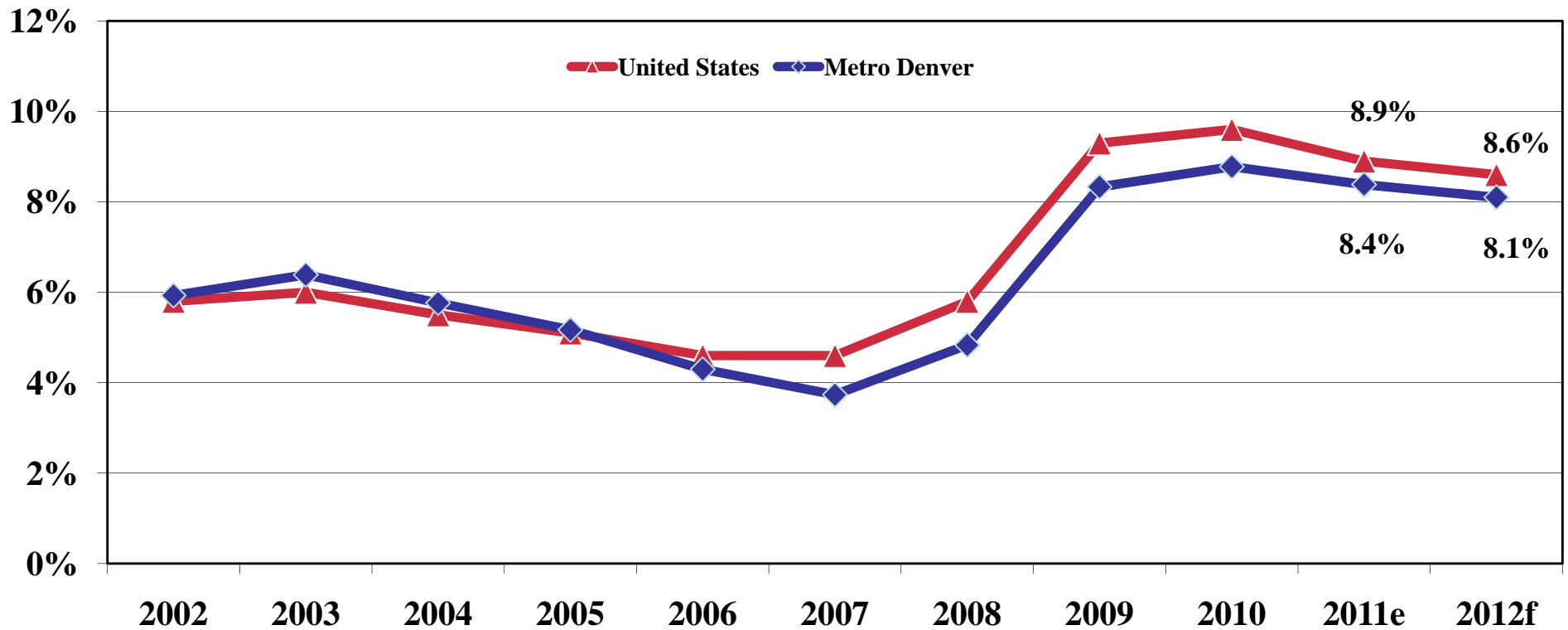
# Few Jobs, Tight Budgets, Political Drama... Worried Consumers



Source: The Conference Board.

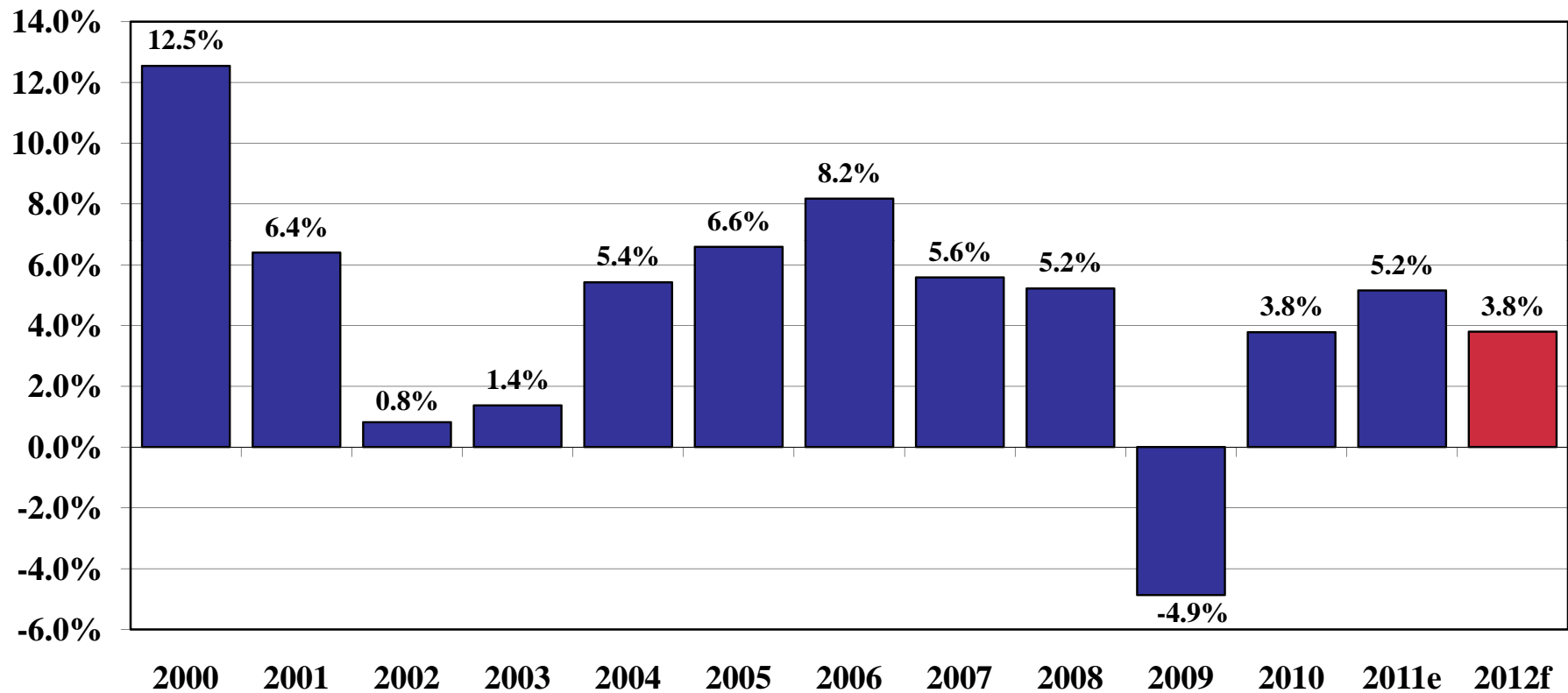
# Unemployment Rates (not seasonally adjusted)

Metro Denver Total Labor Force = 1.5 million



Source: U.S. Bureau of Labor Statistics.

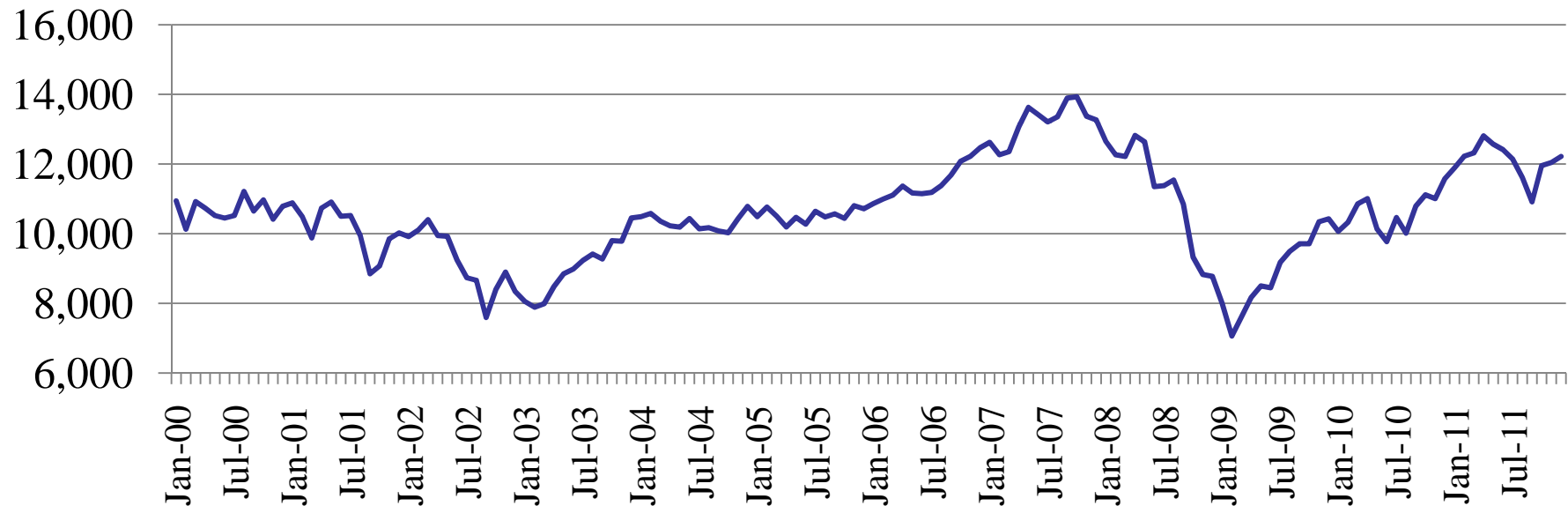
# Colorado Personal Income Annual Average Growth Rates



Source: U.S. Bureau of Economic Analysis.

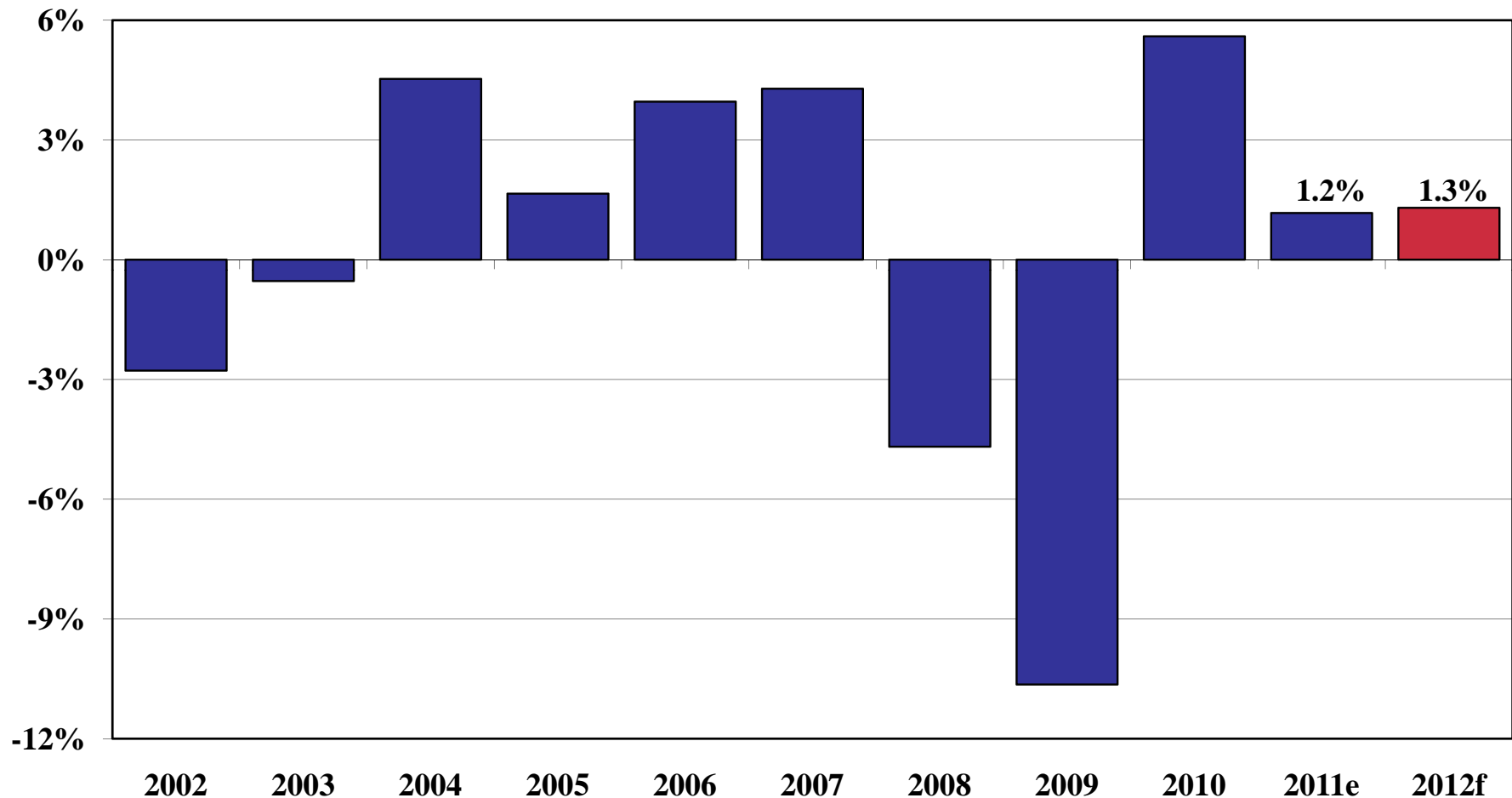
# Dow Jones Industrial Average

**2007: 18% of U.S. families have stocks; 53% have retirement accounts**



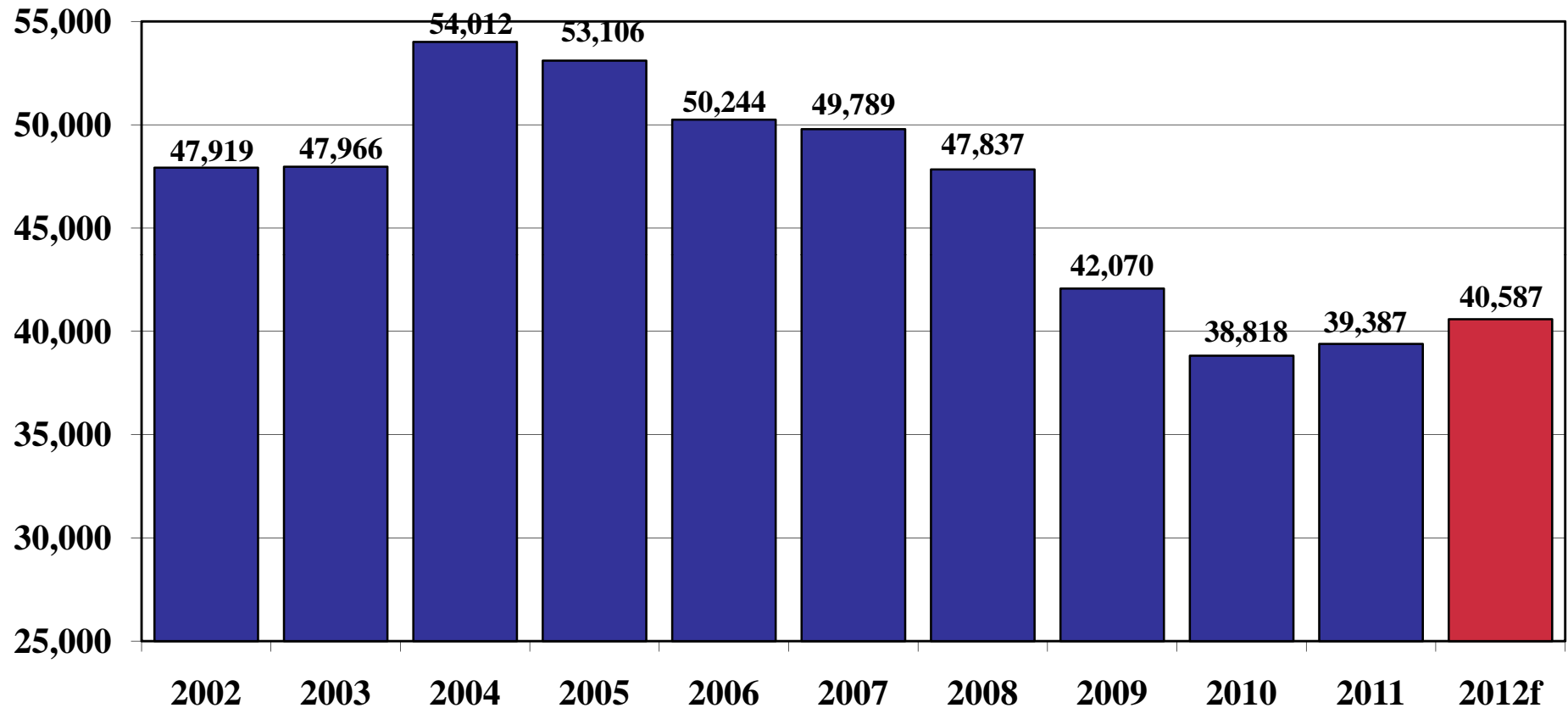
*Source: Yahoo! Finance.*

# Metro Denver Real Retail Trade Sales Growth Rates



Source: Colorado Department of Revenue.

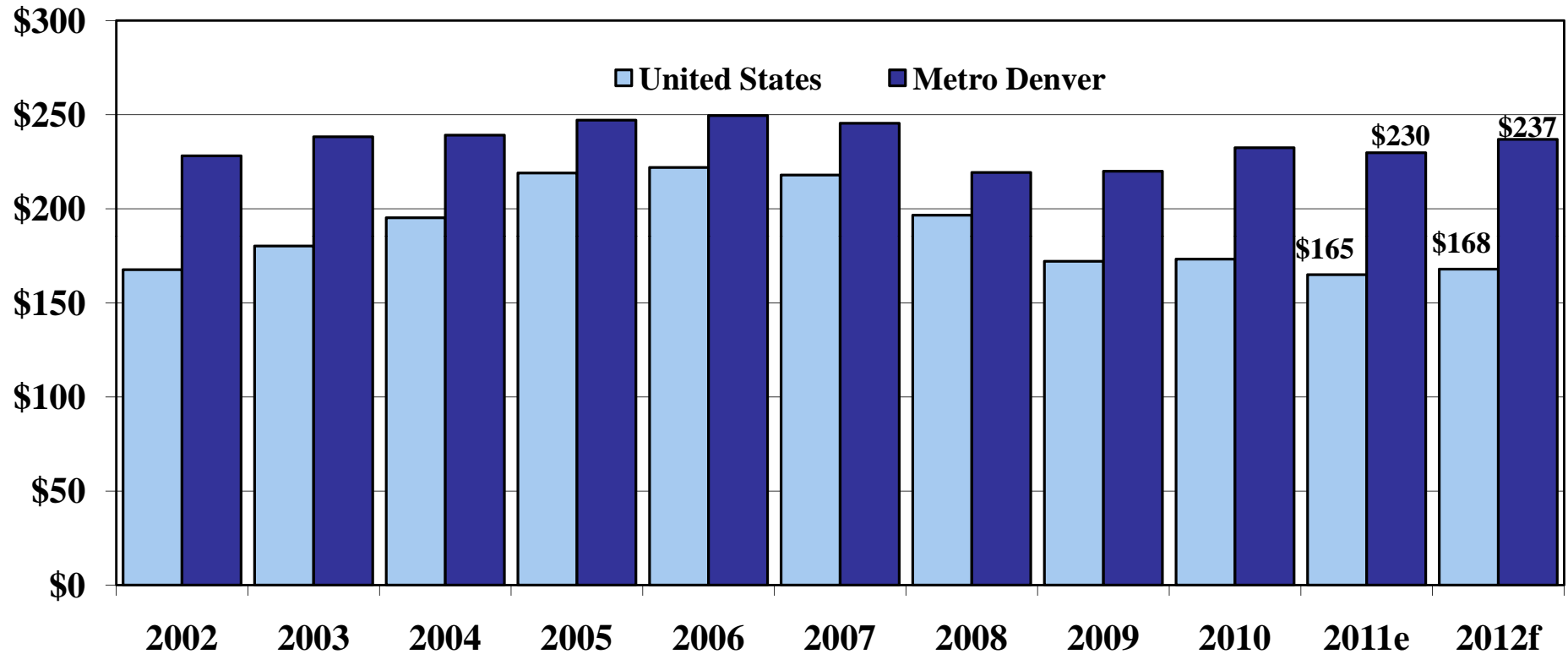
# Metro Denver Existing Home Sales



Source: Metrolist, Inc.

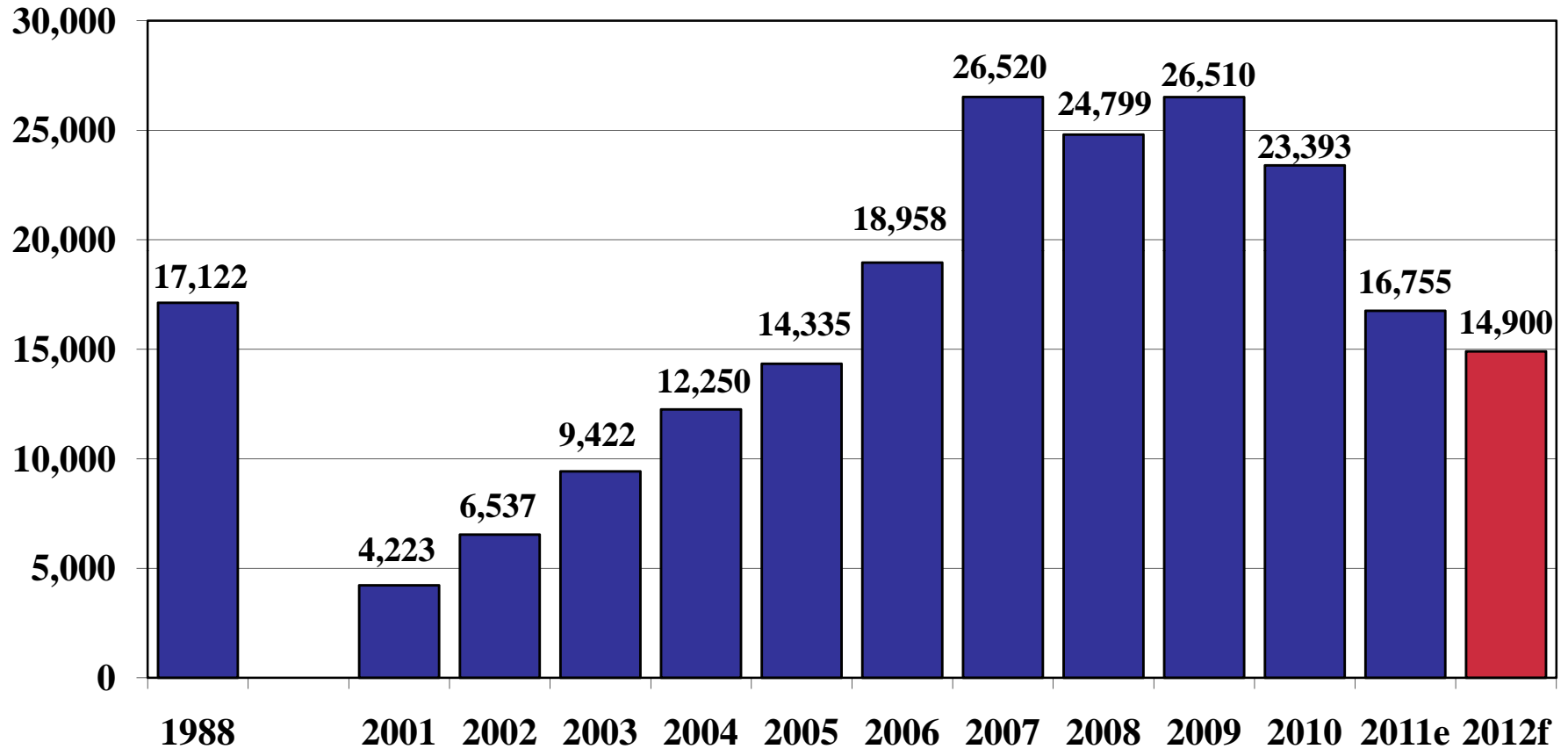
# Median Home Prices

(in thousands)



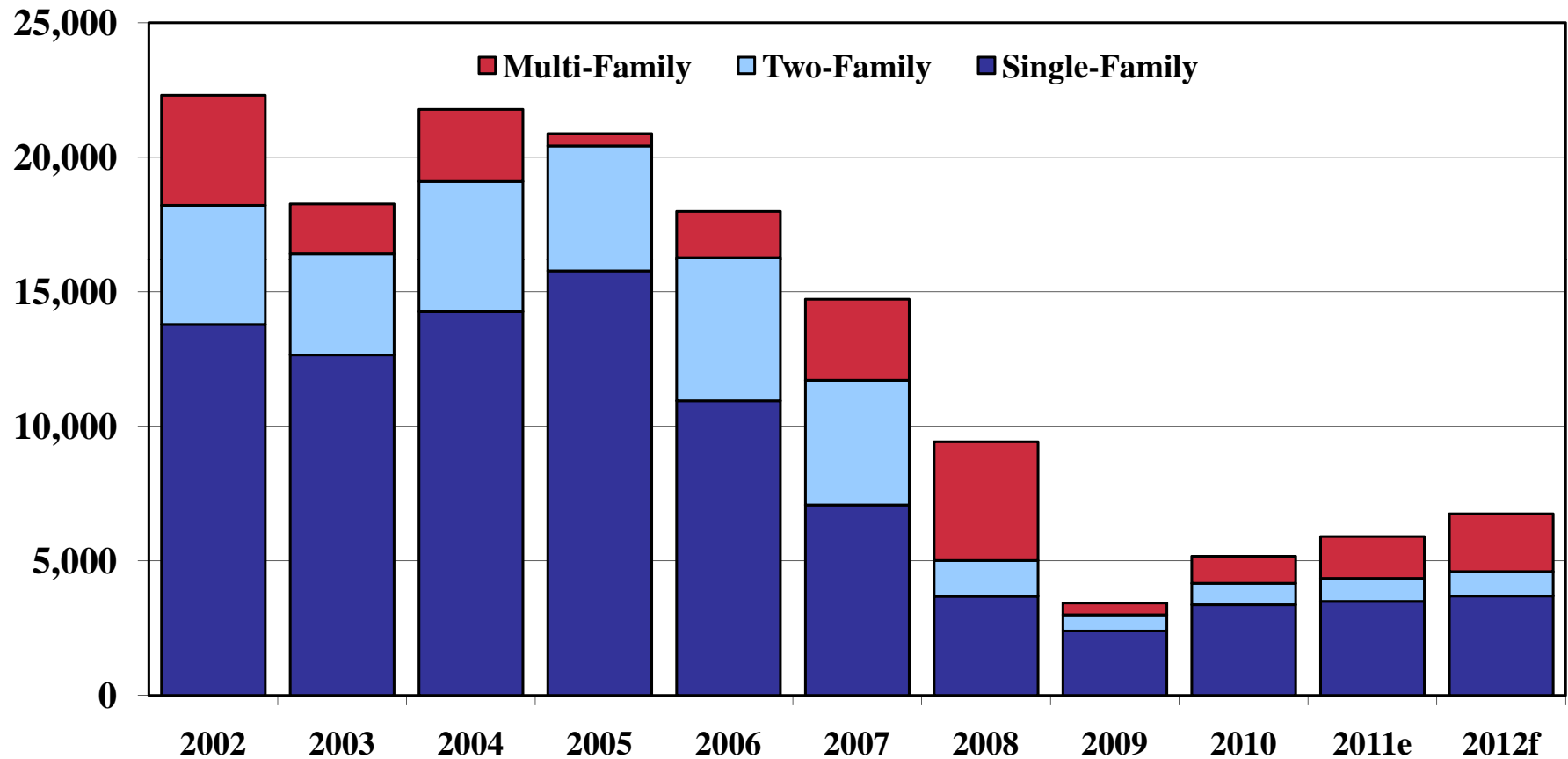
Source: National Association of REALTORS.

# Metro Denver Foreclosures



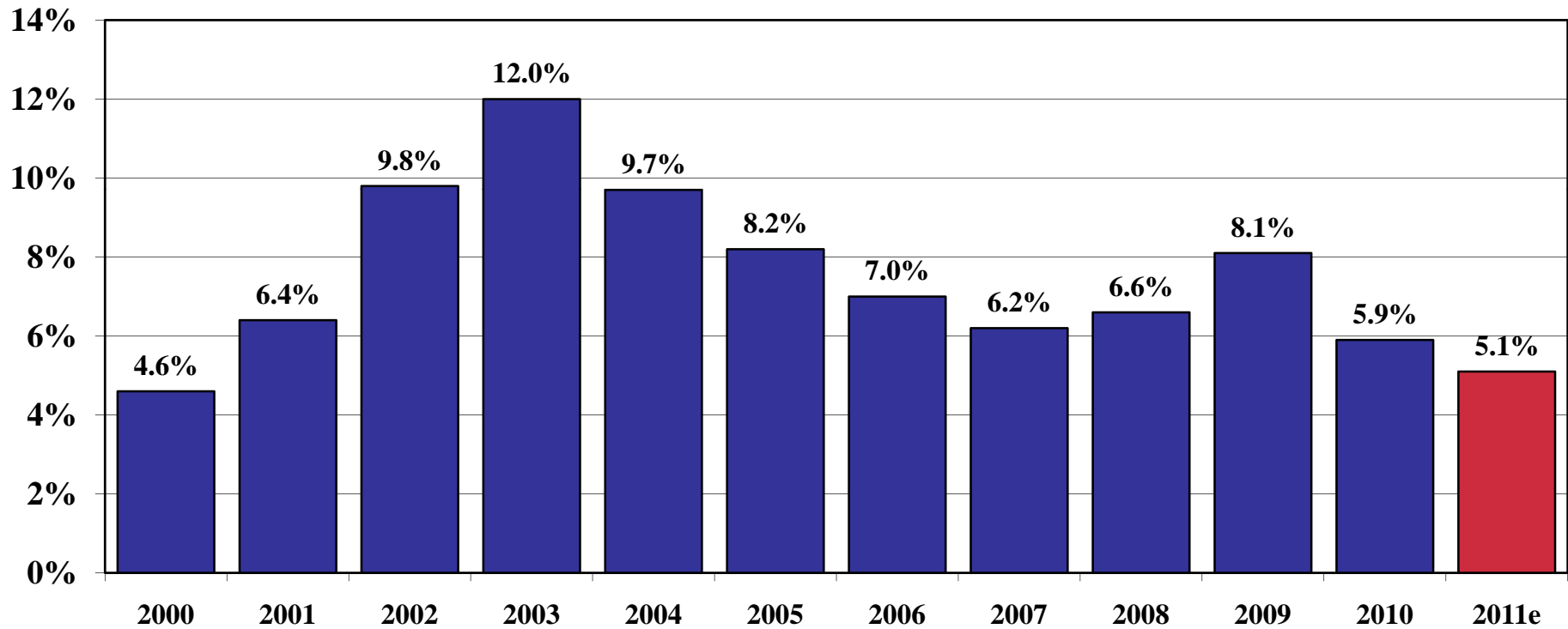
Sources: CB Richard Ellis; Colorado Division of Housing.

# Metro Denver Building Permits



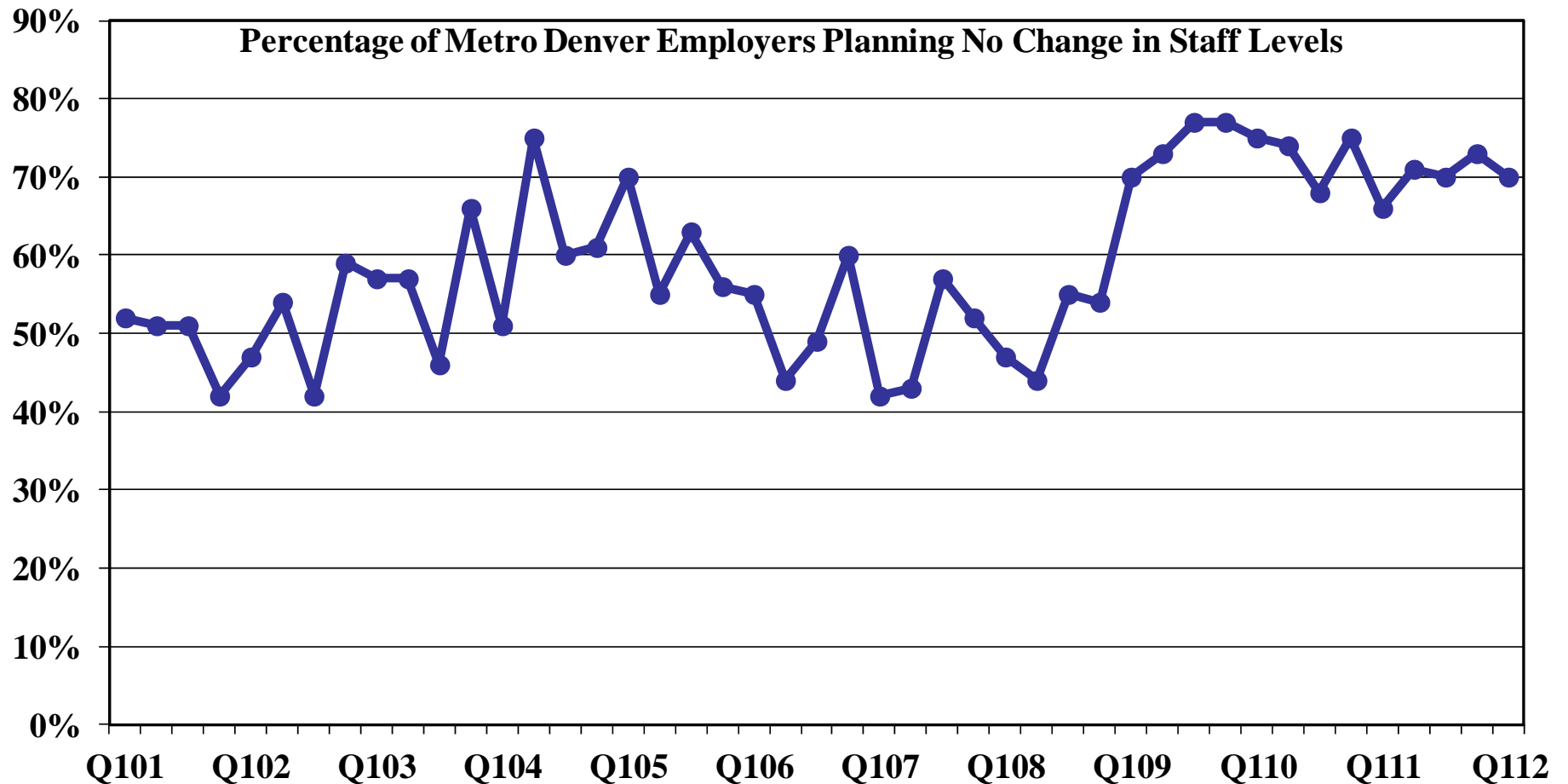
Source: Home Builders Association of Metropolitan Denver.

# Metro Denver Apartment Vacancy Rates



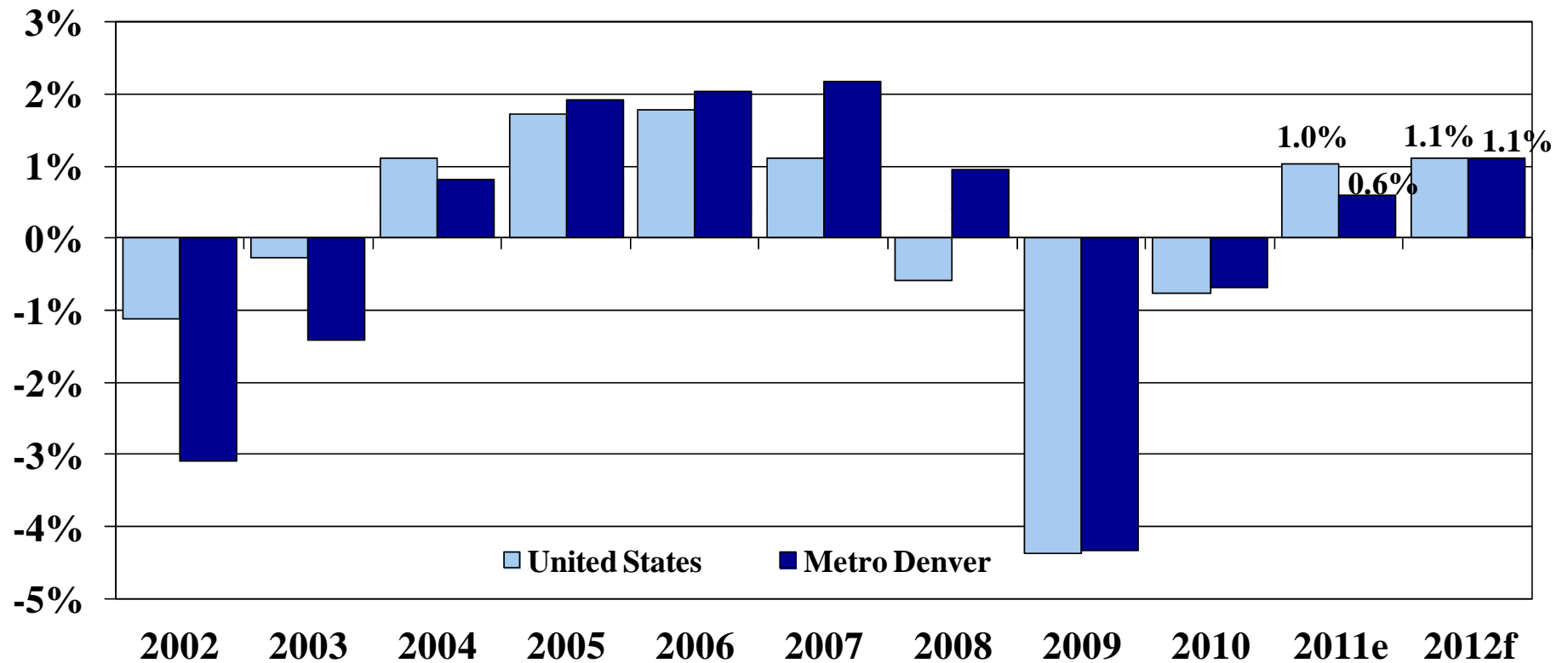
Source: *Denver Metro Apartment Vacancy & Rent Survey.*

# Continued Business Uncertainty



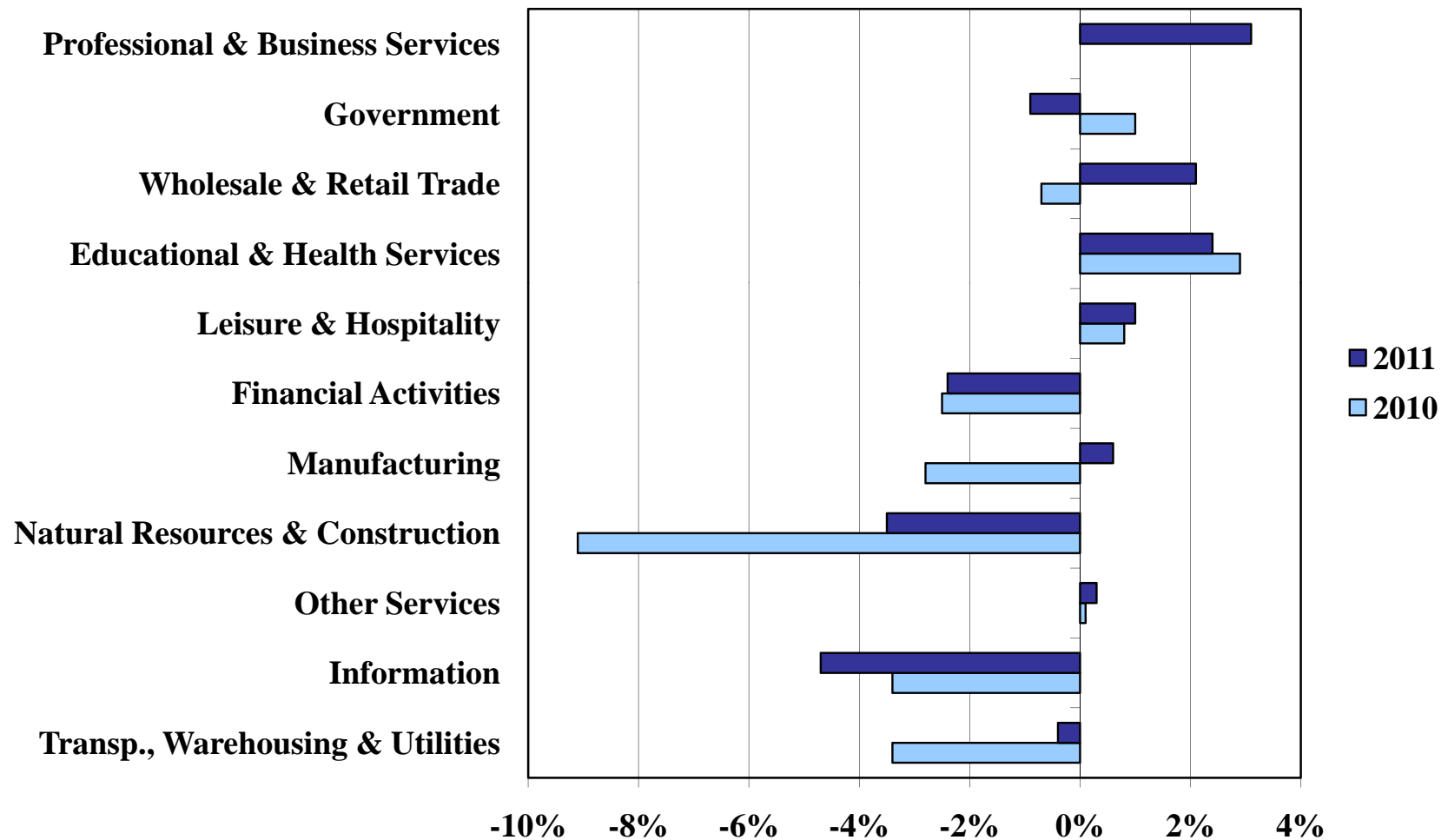
*Source: Manpower Employment Outlook Survey.*

# Nonfarm Job Growth Rates



Source: U.S. Bureau of Labor Statistics.

# Metro Denver Annual Employment Growth Rates by Supersector

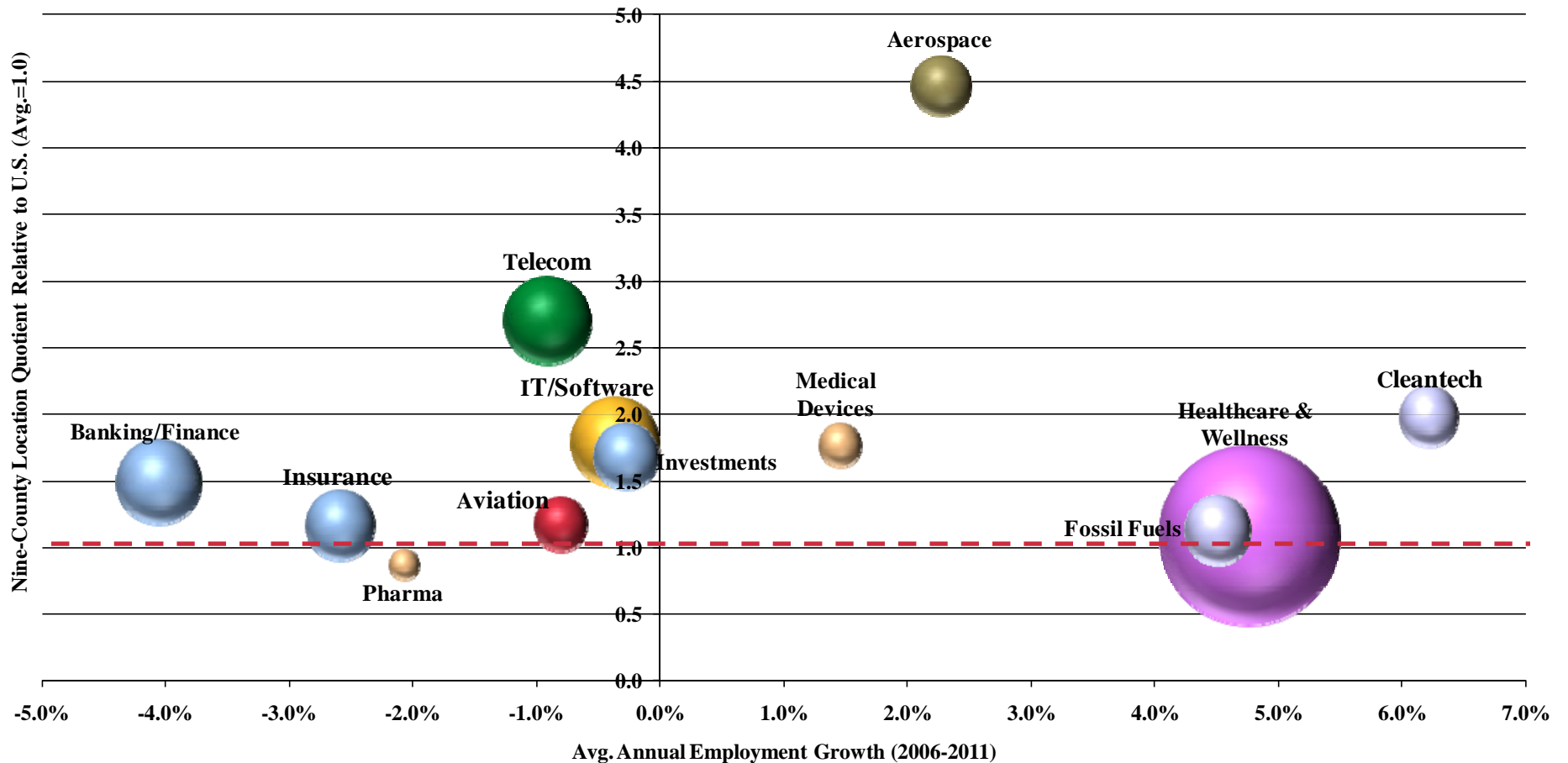


Source: Colorado Department of Labor & Employment

# Key Metro Denver Industry Clusters

- ◆ Aerospace
- ◆ Aviation
- ◆ Bioscience
  - Medical Devices & Diagnostics
  - Pharmaceuticals & Biotechnology
- ◆ Broadcasting & Telecommunications
- ◆ Energy
  - Fossil Energy
  - Cleantech
- ◆ Financial Services
  - Banking & Finance
  - Investments
  - Insurance
- ◆ Healthcare & Wellness
- ◆ IT/Software

# Key Metro Denver Industry Clusters

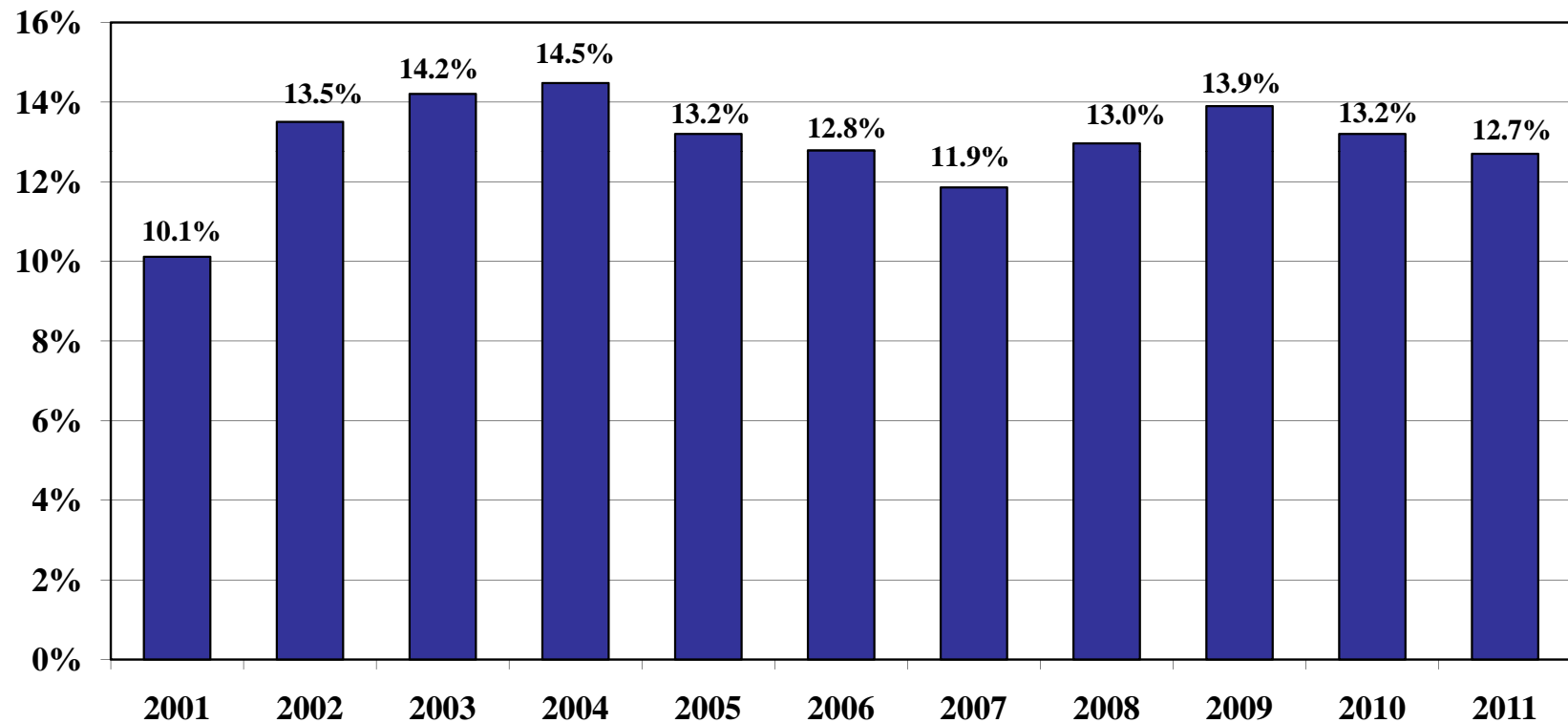


# Metro Denver Office Vacancy Rates

(direct vacancy rate, data as of 4Q2011)

**Existing Square Feet = 168.3 million**

**Completed YTD = 0.5 MSF; Under Construction = 0.9 MSF**



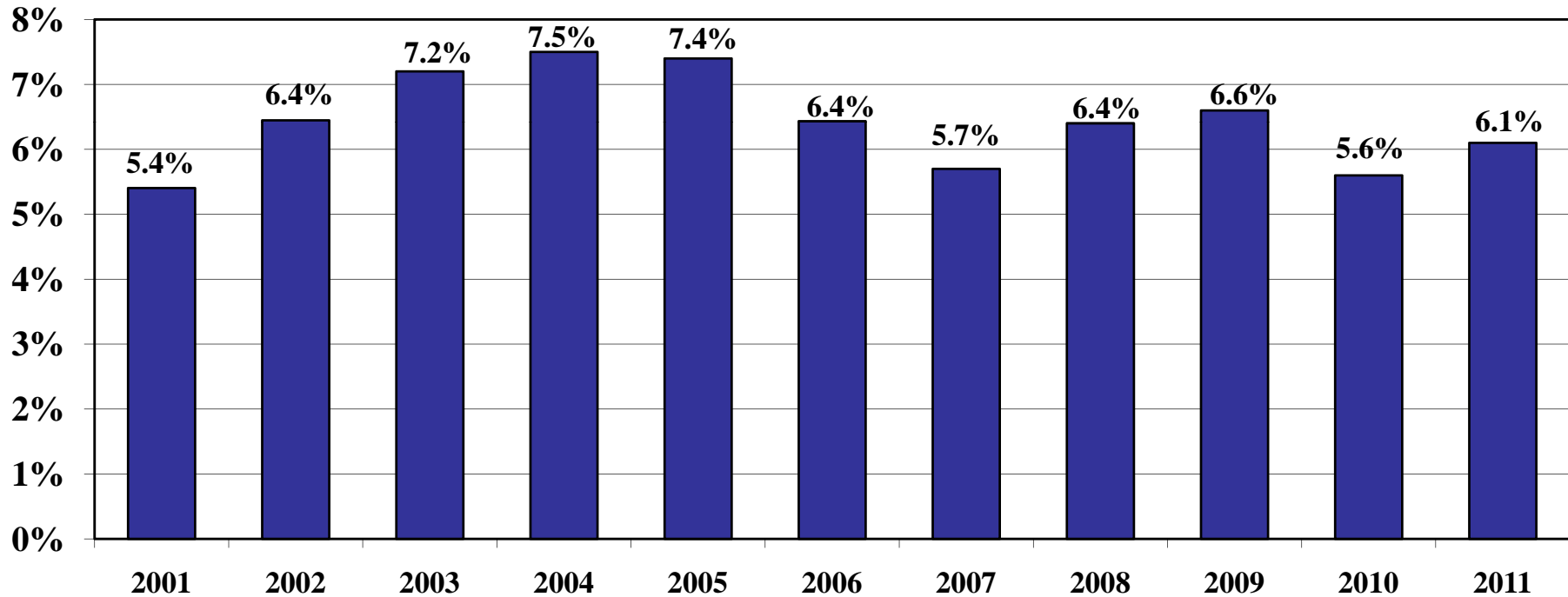
Source: CoStar Realty Information, Inc.

# Metro Denver Industrial Vacancy Rates

(direct vacancy rate, data as of 4Q2011)

**Existing Square Feet = 223.5 million**

**Completed YTD = 0.3 MSF; Under Construction = 0.05 MSF**



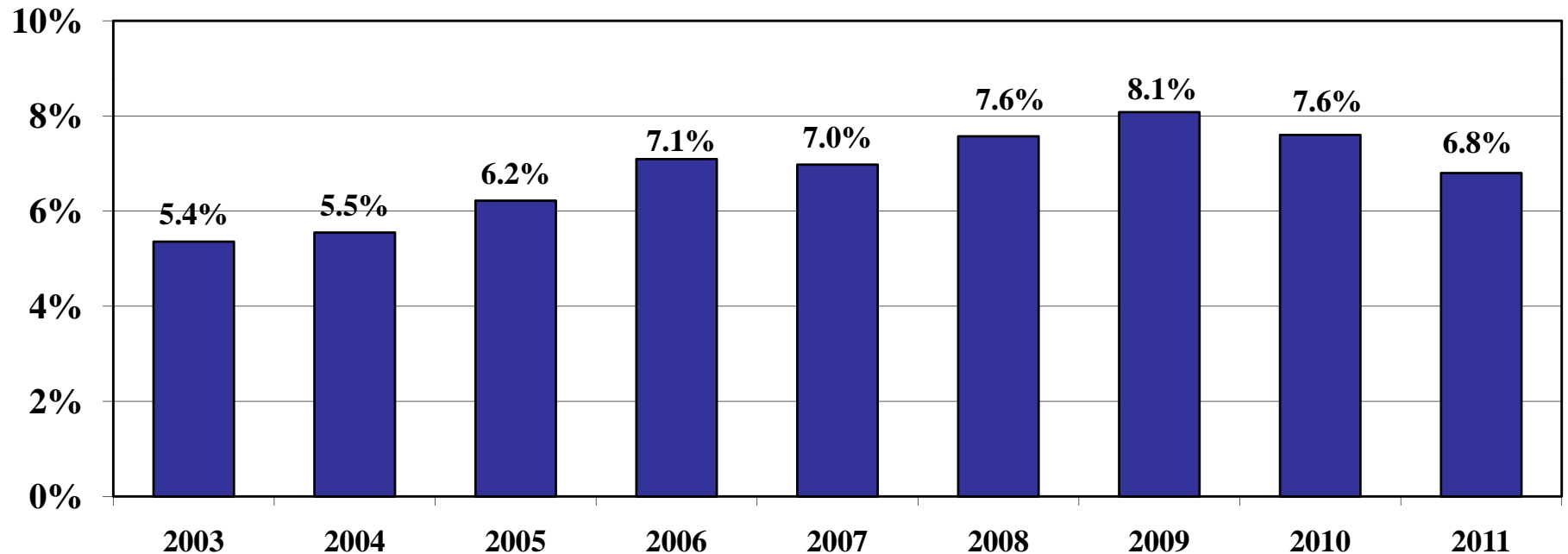
*Source: CoStar Realty Information, Inc.*

# Metro Denver Retail Vacancy Rates

(direct vacancy rate, data as of 4Q2011)

**Existing Square Feet = 160.9 million**

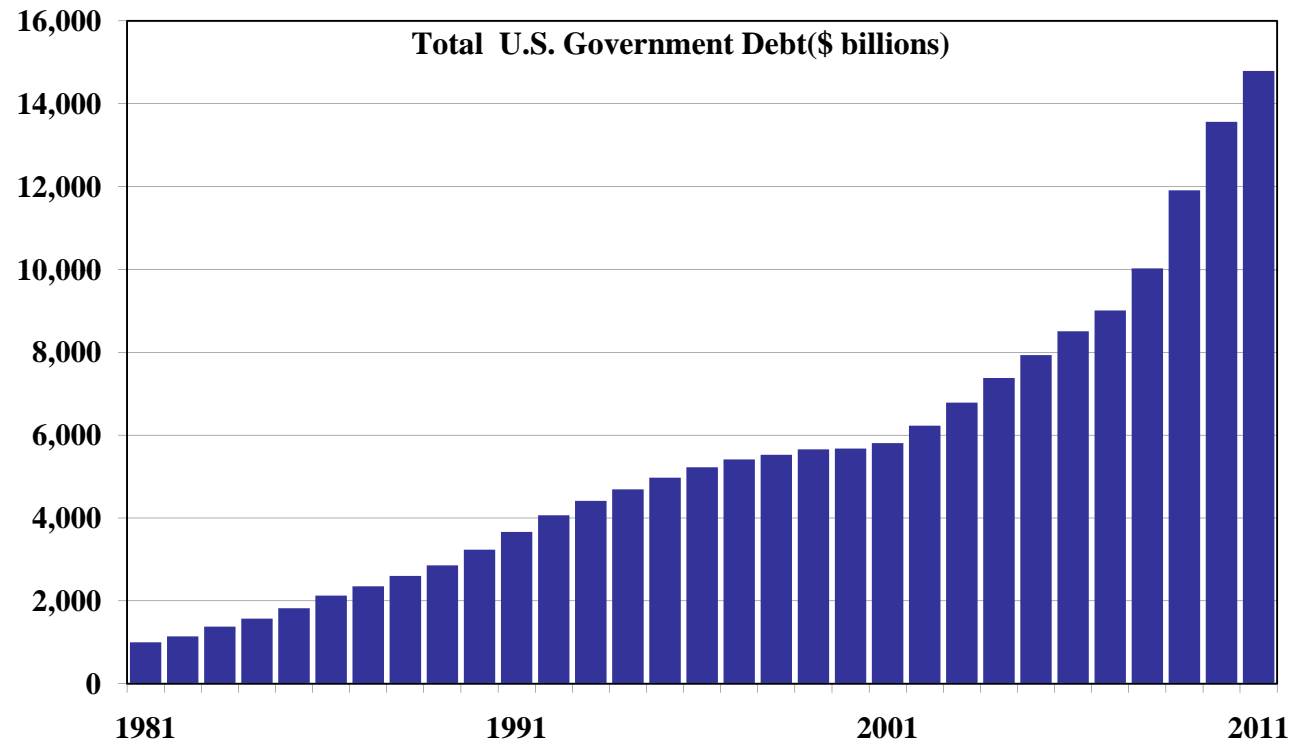
**Completed YTD = 1 MSF; Under Construction = 0.2 MSF**



Source: CoStar Realty Information, Inc.

# The Public Debt Problem

- ◆ Per capita debt in 1981 = \$4,349.
- ◆ Per capita debt in 2011 = \$47,467.
- ◆ About 31% held by foreign governments.
- ◆ More debt = higher interest rates and interest payments...
- ◆ ...less government spending on social programs, tax credits, construction projects.



Source: U.S. Treasury.

**Will the private sector fill the gap a shrinking government leaves behind?**

# Colorado Budget Concerns

## 10 Year Comparison: Economic and Caseload Indicators FY 01 to FY 10

	FY 2000-01	FY 2010-11	% Change
Colorado Population	4,339,000	5,142,800	15.4%
K-12 Student Enrollment	742,145	843,316	16.4%
Higher Education Enrollment	123,256	166,073	34.7%
Prison Population	16,833	22,610	34.3%
Medicaid Recipients	263,107	588,925	113.8%
General Fund Revenues (millions)	\$6,553	\$7,085	8.1%

### General Fund:

**K-12 education (40%), health care/human services (33%), corrections/ judicial (14%), higher education (9%), all other areas of state government (4%)**

*Source: Tomlinson & Associates.*

# Of 34 Advanced Economies, 15 have debt levels greater than 70% of GDP

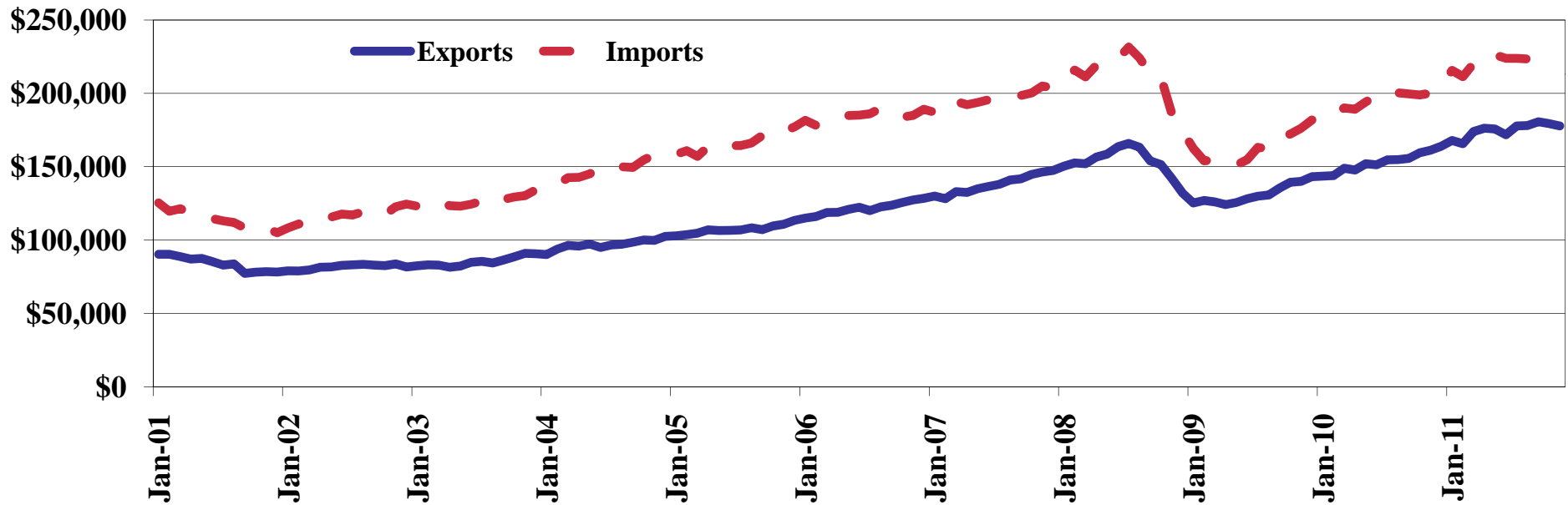
Country	Gross Debt as % of GDP in 2011	Percentage Point Change Since 2007
Japan	233.1	45.4
Greece	165.6	60.1
Italy	121.1	17.4
Ireland	109.3	84.3
Portugal	106.0	37.8
Iceland	101.2	72.1
<b>United States</b>	<b>100.0</b>	<b>37.7</b>
Belgium	94.6	10.4
Singapore	93.5	7.6
France	86.8	22.6
Canada	84.1	17.6
Germany	82.6	17.6
United Kingdom	80.8	36.8
Austria	72.3	11.7
Israel	71.1	-7.0

*Source: International Monetary Fund, World Economic Outlook Database, September 2011.*

# Value of U.S. Imports and Exports

(\$ millions)

**U.S. Export Growth, YTD Sept 2011: +17.8%**  
**Colorado Export Growth, YTD Sept 2011: +10.4%**



Source: U.S. Census Bureau, Foreign Trade Division.

# Remodeling the Economy...

- ◆ Moderate wage and income growth means frugal consumers; consumer credit used more sparingly
- ◆ Housing market continues recovery as foreclosure inventory clears; household formation is greater than new housing units
- ◆ Companies have capital on-hand and access to deep labor pool; companies must chart own growth path
- ◆ Hope for clarity on U.S. government spending, taxes, healthcare policy, and political climate

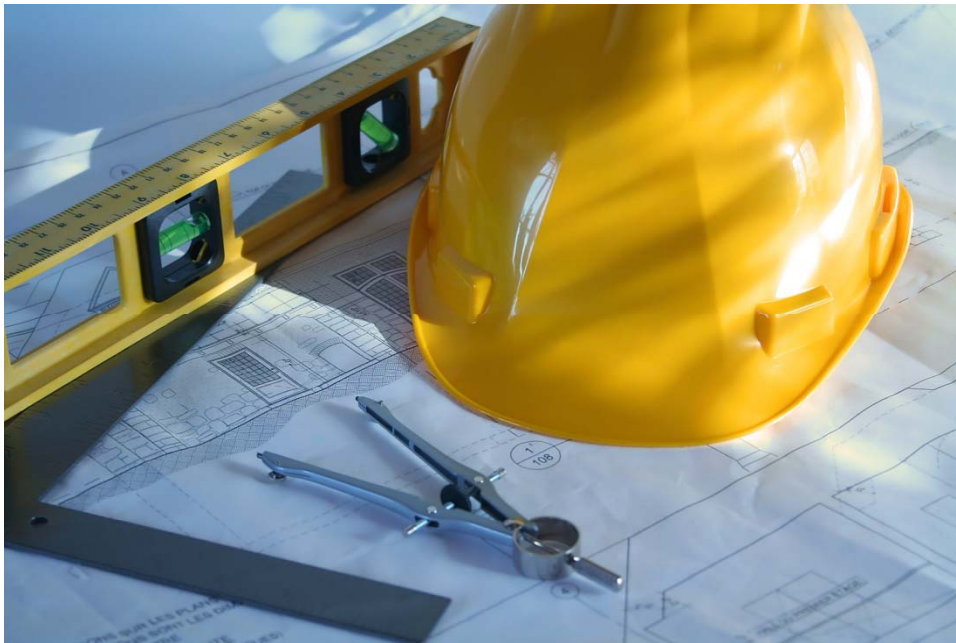
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