



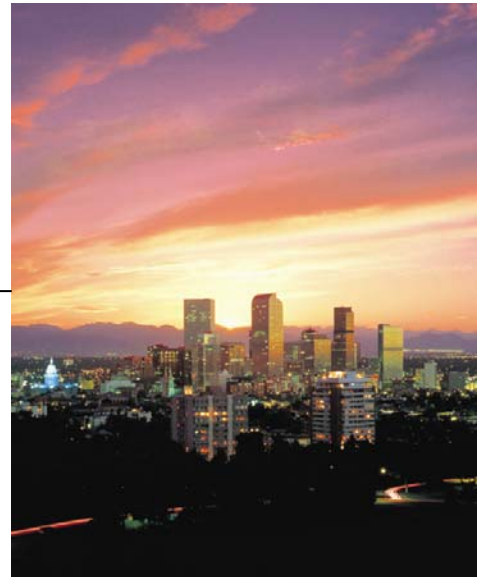
Metro Denver
Economic Development Corporation

Monthly Economic Summary

A Monthly Summary of Economic Conditions in Metro Denver

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

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MONTHLY ECONOMIC SUMMARY

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

- ◆ The Denver-Aurora-Broomfield metropolitan statistical area (MSA) ranked 55th among the nation's 200 largest MSAs in the *Best Performing Cities 2009* report, which analyzes each area's ability to create and retain high-quality jobs. The report – released by the Milken Institute – uses metrics including employment and wage growth, technology output, and the concentration and diversity of high-tech industries. The Denver-Aurora area received high rankings for its concentration of technology industries but earned poorer scores for recent job growth and high-tech output. Greeley (20th), Fort Collins (22nd), and Boulder (44th) were the highest ranked Colorado metros in the report.
- ◆ *Forbes* recently ranked Denver as the nation's 14th-least toxic city. Criteria for the ranking included each city's release of airborne toxins, Superfund sites, days with poor air quality, and facilities known to release environmental contaminants.
- ◆ *BusinessWeek* magazine recently ranked the University of Denver Daniels College of Business part-time MBA program as 53rd best in the nation. The Daniels MBA Professional Program also ranked eighth best in the Southwest.
- ◆ Colorado has the nation's 20th best business climate, according to a recent ranking by *SiteSelection* magazine. The ranking identifies the top 25 business climates based on a nationwide survey of site selectors and each state's count of new or expanded business facilities.
- ◆ Colorado has improved on its prior standing in *America's Health Rankings*, a report that includes a broad panel of health-related metrics assembled by the United Health Foundation, the American Public Health Foundation, and the Partnership for Prevention. The state ranked eighth overall in 2009 – up from 14th in 2008 – and earned strong scores for its low obesity rate, limited air pollution, and low rates of death from cancer and cardiovascular disease. The report says Colorado's health challenges include high numbers of uninsured residents, geographic disparity in health outcomes, and an obesity rate that – while comparatively low – is rising.
- ◆ Colorado falls just outside of a group of ten states said to be facing the greatest “fiscal peril.” The Pew Center on the States' *Beyond California: States in Fiscal Peril* report ranked states on their recent loss of revenues, foreclosure and unemployment rates, and money management. The report also highlights statutory challenges – including limitations on tax increases or spending – that face state legislators as they work to balance budgets. Colorado tied with Georgia as the 11th most imperiled state, and states including California, Arizona, Michigan, and Illinois ranked within the top ten.
- ◆ A report recently released by the U.S. Chamber of Commerce gives Colorado mixed reviews for its educational system. The report – *Leaders and Laggards: A State-by-State Report Card on Educational Effectiveness* – gives Colorado a “B” grade for academic achievement, students' workforce readiness, and the quality of its teachers. Colorado received lower grades in categories including academic data tracking and the rigor of academic standards.

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- ◆ An evaluation of FBI statistics by CQ Press suggests Denver ranks in the bottom half of 393 U.S. cities for prevalence of crime. The CQ report, *City Crime Rankings 2009-2010*, gives each city a “crime score” based on 2008 FBI statistics that track several types of violent and nonviolent crimes. Denver ranked 167th on a spectrum where “1” indicates the highest prevalence of crime. Colorado Springs and the City of Aurora also ranked in the bottom half of cities. Metro Denver cities with better safety scores included Lakewood (213), Greeley (220), Thornton (250), Fort Collins (272), Westminster (279), Boulder (330), and Centennial (379).

Policy Watch

- ◆ President Obama recently approved legislation that extends unemployment insurance benefits and the popular first-time homebuyers’ tax credit. Unemployment insurance recipients will generally be eligible for 14 extra weeks of benefits, although recipients in states with unemployment at or above 8.5 percent can receive a total of 20 additional weeks. The bill also includes a five-month extension to the \$8,000 first-time homebuyers’ tax credit and introduces a \$6,500 credit for homebuyers who have owned a home in five of the past eight years. The twin tax credits have met with mixed reviews – the credits are widely expected to boost home sales, but critics are concerned over the program’s cost and vulnerability to fraud. Analysts also note that the expanded homeowner credit could have a negligible impact on housing markets because homeowners – unlike first-time buyers – must face the challenge of selling.
- ◆ The U.S. Senate killed a bill that would have advanced the February 2010 effective date for restrictions on credit card companies. The bill’s supporters say credit card issuers have hiked rates and fees to maximize profits before the Credit Card Accountability, Responsibility, and Disclosure Act takes effect.
- ◆ The government’s Home Affordable Modification Program (HAMP) continues to perform below expectations. Program data through October 2009 show servicers offered trial modifications to less than one-third of eligible borrowers, and only one in five eligible borrowers accepted a trial plan. The extensive documentation required for a loan modification and lack of servicer follow-up are said to be some of the program’s greatest challenges.
- ◆ Congress is currently considering legislation that would limit the Federal Reserve’s oversight of financial markets. Proponents of the legislation say the U.S. Central Bank failed businesses and taxpayers by applying the infamous “too big to fail” standard to struggling financial institutions. The bill would essentially remove the Federal Reserve’s market oversight and would establish three new government agencies – the Consumer Financial Protection Agency, the Financial Institutions Regulatory Administration, and the Agency for Financial Stability. Critics worry the new structure would impose unduly harsh banking restrictions and would create conflict between regulators. Lawmakers could begin voting on the legislation in December.
- ◆ As of late November, borrowers seeking funds from the Small Business Administration (SBA) were less able to obtain the reduced fees and expanded government guarantee made possible by stimulus dollars. The SBA exhausted its \$375 million in stimulus funds more quickly than officials expected, and Congress has yet to extend additional SBA dollars. As a result, SBA borrowers must now apply for a loan under the agency’s standard terms, which include higher fees and lower guarantee amounts. Borrowers can also join a waiting list for loans with better terms that could be awarded if more stimulus funds become available.

General Economic Overview

A significant increase in the U.S. trade deficit between August and September exceeded forecasts. Data from the U.S. Department of Commerce show September imports rose at the fastest pace reported since early 1993 and swamped exports. As a result, the overall trade deficit widened to \$36.5 billion from \$30.8 billion in the prior month. Some of the import increase reflects business’ restocking of depleted inventories, particularly in the automotive sector.

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Thanks to the Cash-for-Clunkers rebate program, the automotive sector also had a major influence on the nation's third quarter gross domestic product (GDP). The U.S. Bureau of Economic Analysis' second estimate of GDP growth shows the nation's economy grew 2.8 percent in the third quarter after four consecutive quarters of decline. The latest growth estimate was slower than the 3.5 percent "advance" estimate for the third quarter, and BEA analysts say they made downward revisions in categories including spending by businesses and households. Even with the revision, the durable goods portion of household spending – which includes automobile purchases – accounted for nearly half of the total percentage growth in third quarter GDP. An increase in government spending and the rebuilding of business inventories accounted for the rest of GDP growth in the third quarter. Overall, the newest reading on GDP suggests the nation's economic recovery is leaning heavily on government stimulus. While policymakers expected the economy to need stimulus for recovery, private demand will need to rebound before the recovery is truly sustainable.

Largely because private demand remains so weak, the Federal Open Market Committee (FOMC) of the Federal Reserve voted in early November to keep its target federal funds rate between zero and 0.25 percent. Substantial slack in the economy has so far kept inflation at bay, so the FOMC will delay an increase in interest rates until the recovery gains more traction. The committee's last meeting in 2009 is scheduled for December 15.

Economic Indexes

National Economy

- ◆ The Conference Board's Leading Economic Index rose 0.3 percent between September and October. The index's five percent gain over the past six months suggests the economy is recovering, although the strength and length of recovery ultimately depend on how quickly the private sector rebounds.
- ◆ An October increase in the Institute for Supply Management's Purchasing Managers Index suggests the nation's manufacturing economy is growing at the strongest pace reported in more than two years. Continued increases in new orders contributed to the index gain, as did the recall of some laid-off manufacturing workers and companies' hiring of temporary help. Even with the better results, some survey respondents expressed concern that early improvements in manufacturing might not hold in the coming months.
- ◆ The Institute for Supply Management's Index of Non-Manufacturing Business Activity rose for the third consecutive month in October. Many respondents were encouraged by improving business conditions but remained concerned about prospects for a slow recovery.

Local Economy

- ◆ The University of Colorado's Leeds Business Confidence Index for the fourth quarter rose to 49.7 from 47.5 in the third quarter as business owners reported a better outlook for the national economy. Respondents' expectations for profits, capital expenditures, and hiring also improved in the fourth quarter survey, although the indexes for these components remain below the growth-neutral point of 50. Generally speaking, Colorado business leaders expect better conditions in the fourth quarter but stop short of anticipating growth.
- ◆ The Vectra Bank Colorado Small Business Index rose from a revised 70.9 in September to 72.3 in October. Indications of recovery in the national economy strengthened the index reading.
- ◆ The Goss Institute's Mountain States Business Conditions Index increased between October and November. The gain suggests economic conditions are improving in Colorado, Wyoming, and Utah, although supply managers in the three-state region remain pessimistic about near-term hiring and wage growth.

Labor Force and Employment

Retail trade employment counts between October and December should be a good measure of consumer health, because stores and delivery companies will only add the seasonal positions they need to meet customer demand.

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Preliminary data suggest holiday hiring in 2009 will exceed hiring in 2008, which was heavily influenced by the stock market collapse in late fall. Because 2008 hiring trends were so weak, though, increased hiring in 2009 could still produce the lowest seasonal job count seen in decades. Many retailers have announced plans to hire fewer workers this year, although some – including electronics retailer Best Buy – are boosting their worker counts.

Another positive influence on holiday hiring could arrive late in the season. Many retailers are delaying hiring until they can better gauge consumer activity, so retail hiring could accelerate in November or December if shopper traffic is stronger than expected.

October data showed very slight improvements in Metro Denver's labor market. Metro Denver employers added roughly 500 jobs throughout the month, and an improvement in the region's seasonally adjusted job series indicates the October gain was a legitimate – and not merely seasonal – change. The wholesale and retail trade, education and health services, and government sectors added jobs over the month, although education and health services and government were the only sectors with more jobs in October than were reported one year ago.

While job market improvements are certainly welcome, labor markets nationwide have significant ground to recover. Across all industries, Metro Denver employment in October was down four percent from employment in October 2008. Employment nationwide was also down four percent, and Colorado employment was down a slightly larger 4.3 percent. These measures suggest that roughly one in 25 jobs that existed last October was eliminated during the past twelve months. Because job losses have not been evenly distributed across industries, losses in some sectors are considerably more severe. In Metro Denver's natural resources and construction sector, for example, roughly one in seven jobs that existed in October 2008 was gone one year later.

Metro Denver Industry Cluster Headlines

Aviation: Officials with Frontier Airlines confirmed that more than 200 of the carrier's Denver jobs will move to Milwaukee. Frontier's new parent company, Indianapolis-based Republic Airways Holdings, plans to relocate heavy maintenance positions currently in Denver and call center positions in Las Cruces, New Mexico. Republic is reportedly moving jobs to Milwaukee – the home of its subsidiary Midwest Airlines – because the city's economic development incentives outstripped incentive packages offered by Denver and Indianapolis. Republic officials have reiterated their commitment to keep a significant employment base in Metro Denver and say the region will remain home to flight crews and jobs in reservations, marketing, and administration.

Energy: Boulder-based Power Tagging Technologies, Inc. won a \$2 million National Science Foundation grant that will speed the company's development of high-tech spatial tools for smart grids. The company's namesake Power Tagging technology adds data signals to the power grid that identify where and how electricity is being used.

Eight other Colorado businesses have also received federal grants for energy projects. The U.S. Department of Energy recently awarded a combined total of \$1.5 million in stimulus grant awards to the eight small businesses, which are developing a variety of cutting-edge technologies for clean power and renewable energy.

Renewable energy work will also begin at the ConocoPhillips campus in Louisville by 2013. Representatives for the Houston-based company recently presented detailed plans for the campus development, which will occur in three phases. The first phase – which representatives say will be occupied within the next three years – will include a research center, a corporate learning center, office space, retail facilities, and a hotel exclusively for campus guests. The second and third phases will add more office and retail space and should be completed by 2032. Construction on the project's first phase is scheduled to begin in 2011.

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

	Month of Oct-09 (p)	Month of Sep-09	Month of Oct-08	Year-to- Date Average 2009	Year-to- Date Average 2008	Year-to- Date Average % Change	Annual Growth Rate 2004	Annual Growth Rate 1999
Total 11-County Metro Denver*	1,363.1	1,362.6	1,420.5	1,366.0	1,421.8	-3.9%	0.8%	4.0%
Denver-Aurora MSA	1,202.0	1,201.9	1,250.6	1,204.1	1,253.1	-3.9%	0.8%	3.9%
Boulder-Longmont MSA	161.1	160.7	169.9	161.9	168.6	-4.0%	0.9%	4.4%
Natural Resources & Construction	81.7	82.4	96.7	84.5	98.5	-14.2%	-0.7%	10.4%
Manufacturing	80.0	80.4	86.4	82.1	87.9	-6.6%	-0.4%	-1.5%
Wholesale & Retail Trade	203.2	201.4	215.5	204.0	215.7	-5.4%	-0.1%	3.2%
Transp., Warehousing & Utilities	48.9	49.2	51.6	50.3	52.5	-4.3%	0.5%	6.1%
Information	53.8	53.9	56.9	54.8	57.7	-5.1%	-5.4%	11.7%
Financial Activities	99.2	100.0	103.7	100.4	105.2	-4.6%	-0.1%	3.8%
Professional & Business Services	229.9	230.4	244.0	230.3	246.0	-6.4%	3.5%	5.9%
Education & Health Services	158.8	157.9	155.4	157.1	152.5	3.0%	3.2%	1.3%
Leisure & Hospitality	142.3	144.5	146.7	143.5	148.7	-3.5%	2.6%	4.6%
Other Services	52.1	52.2	54.1	52.7	53.9	-2.1%	1.7%	1.9%
Government	213.2	210.3	209.5	206.4	203.2	1.5%	-0.2%	1.4%
Federal Gov't	30.7	30.4	30.5	30.5	30.4	0.3%	-1.6%	-1.5%
State & Local Gov't	182.5	179.9	179.0	175.9	172.9	1.8%	0.1%	2.1%
Colorado	2,246.4	2,250.9	2,346.9	2,262.4	2,351.9	-3.8%	1.2%	3.6%
United States	132,040	131,399	137,492	131,981	137,199	-3.8%	1.1%	2.4%

*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

Financial Services: Spokespeople for JPMorgan Chase say the company will add 1,200 mortgage brokers at bank branches in 23 states by the end of next year. The company's announcement did not indicate if any of the new positions – which will be dedicated to mortgage refinancing – will be added in Colorado.

IT/Hardware: Spokespeople for data center operator Latisys say the company will locate its headquarters in Metro Denver. The company – which provides data storage, web hosting, and other related services – already has one of its three facilities in Denver, where industry experts say a low risk of natural disasters makes an attractive location for costly computer equipment. Spokespeople say the company's 45-person staff in Metro Denver may not increase with the start of headquarters operations, but the region will still serve as the company's central hub for planning and decision-making.

In less positive news, Sun Microsystems revealed more specific details about a significant layoff. Spokespeople announced a 3,000-worker layoff in October and now say 128 jobs at the company's Broomfield location will be affected by the first round of job cuts.

IT/Software: Spokespeople for Denver-based software publisher Quark Inc. say the company's new product – a software platform created to help small businesses develop marketing materials – could support up to 500 local jobs over the next several years. Details on Quark Promote are available on the company's web site.

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Employment Outlook

The most recent *Manpower Employment Outlook Survey* suggests that U.S. businesses have generally weak hiring expectations. At the national level, 12 percent of respondents plan to add jobs in the fourth quarter, compared to 15 percent in the third quarter and 22 percent in the fourth quarter of 2008. The share of employers planning layoffs in the fourth quarter (14 percent) rose one percentage point from the third quarter, and slightly less than 70 percent of employers plan no staffing changes over the next three months. While the large share of employers planning no changes is generally a positive sign given recent labor market turbulence, the survey results nonetheless suggest that jobseekers will struggle in the coming months.

Fourth quarter hiring expectations in Metro Denver are similarly weak. Nine percent of employers in the Denver Area plan to add jobs over the next three months, compared to 32 percent of employers one year ago. Boulder area employers are only slightly more optimistic, with 12 percent planning to add jobs in the fourth quarter. Because the vast majority of employers – 68 percent in Boulder and 77 percent in the Denver Area – plan no staffing changes for the fourth quarter, the local labor market appears slightly more stable than markets nationwide. Even so, weaker-than-average hiring expectations in the Denver Area suggest local jobseekers will have limited opportunities in the coming months.

Employment Outlook Survey

	Quarter 4 2009	Quarter 3 2009	Quarter 4 2008	YTD Avg 2009	YTD Avg 2008	Ann Avg 2004
Denver-Aurora MSA						
Percent of Companies Hiring	9%	9%	32%	11%	28%	24%
Percent of Companies Laying Off	11%	11%	14%	12%	11%	7%
Percent of Companies No Change	77%	77%	54%	74%	50%	62%
Percent of Companies Unsure	3%	3%	0%	3%	11%	8%
Boulder MSA						
Percent of Companies Hiring	12%	18%	33%	16%	22%	N/A
Percent of Companies Laying Off	17%	14%	13%	15%	11%	N/A
Percent of Companies No Change	68%	64%	51%	66%	64%	N/A
Percent of Companies Unsure	3%	4%	3%	4%	4%	N/A

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 fell from 6.9 percent in September to 6.6 percent in October. While positive on the surface, the decline mostly reflects an unfavorable trend: the count of Metro Denver's unemployed is falling more rapidly than employment is increasing, which suggests that a considerable number of the jobless are abandoning their searches before finding work. The region's unemployment rate could remain flat or even increase as labor markets improve, because many of those who left the labor force will resume a job search and will therefore be counted as unemployed.

The nationwide unemployment rate crossed the psychologically significant 10 percent threshold in October and measured 10.2 percent (seasonally adjusted). In Colorado, the October unemployment rate declined slightly to 6.6 percent from 6.7 percent in September.

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

	Oct 2009 (p)		2009 YTD Avg		2008 YTD Avg		2004	1999
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Ann Avg Unemployment Rate	Ann Avg Unemployment Rate
Metro Denver	1,503.6	6.6%	1,528.0	7.4%	1,546.5	4.8%	5.8%	2.4%
Adams County	221.6	7.8%	225.3	8.6%	226.2	5.3%	6.5%	2.7%
Arapahoe County	305.3	6.6%	310.0	7.3%	314.1	4.8%	5.7%	2.1%
Boulder County	172.7	5.3%	175.7	6.0%	179.1	4.1%	4.9%	2.6%
Broomfield County*	30.0	6.4%	30.4	7.0%	30.8	4.5%	5.8%	
Denver County	316.5	7.4%	321.8	8.2%	324.6	5.3%	6.6%	3.1%
Douglas County	154.4	5.5%	156.8	6.3%	159.5	4.1%	4.7%	1.4%
Jefferson County	303.2	6.4%	308.0	7.1%	312.1	4.6%	5.4%	2.2%
Colorado	2,670.6	6.6%	2,706.1	7.3%	2,729.8	4.8%	5.6%	2.9%
United States	153,635	9.5%	154,347	9.2%	154,247	5.6%	5.5%	4.2%

*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

The weekly average number of claimants filing for unemployment insurance in Metro Denver declined slightly between September and October. Even so, the weekly average for the first 10 months of the year was nearly 73 percent higher than the average for the same months in 2008. Statewide, the weekly average count of claims for the ten months ended in October was almost 81 percent higher than the average from the same period last year.

Weekly First-Time Unemployment Insurance Claims

	Month of	Month of	Month of	YTD Avg	YTD Avg	YTD Avg
	Oct-09	Sep-09	Oct-08	2009	2008	% Change
Metro Denver	2,354	2,401	2,084	2,514	1,454	72.9%
Colorado	4,535	4,365	3,616	4,638	2,564	80.9%

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

Data from Internet services firm comScore Inc. show U.S. online retail sales fell one percent over-the-year in the second quarter and two percent in the third quarter. The declines were the first in comScore records to occur consecutively and reflect broader weakness in consumer spending.

This does not bode well for retailers, although many are better positioned to weather a weak holiday season than they were in 2008. Retailers may focus on more selective sales and incentives than they offered last year, when many used dramatic price cuts to clear store shelves. More limited inventory in stores could also drive shoppers online, where early forecasts suggested holiday sales might increase. The forecasts have so far proven true, as data from comScore suggest Internet sales on Black Friday rose 11 percent from sales in 2008. Because Internet shopping accounts for just a fraction of total holiday retail sales, though, strong online trends may not be enough to offset weaker sales in brick-and-mortar stores. While foot traffic on Black Friday was reportedly strong, shoppers focused on lower-priced gifts and essentials and the day's total sales rose just 0.5 percent over-the-year, according to ShopperTrak.

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November sales data from the U.S. Department of Commerce are not yet available, but data from earlier months reinforce the image of a very cautious and bargain-conscious consumer. U.S. retail sales through the first ten months of the year fell 7.8 percent from sales in the same months of 2008, and year-to-date sales declines were considerably higher for automobiles and parts, furniture and home furnishings, electronics, and building materials.

Sluggish retail activity is not surprising given the state of consumer confidence, which – according to data from the Conference Board – is fragile at best. The Conference Board’s U.S. Consumer Confidence Index rose slightly between October and November, although consumers’ assessment of the present state of the economy was the weakest reported in 26 years. The Mountain Region Index fell sharply in November to the lowest reading reported among all nine regional indexes.

Consumer Confidence Index

	Month of Nov-09 (p)	Month of Oct-09	Month of Nov-08	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change	Ann Avg 2004
Mountain	38.0	59.3	64.3	48.9	80.1	-39.0%	108.8
United States	49.5	48.7	44.7	44.4	59.7	-25.7%	96.1

Source: The Conference Board. (p) =preliminary

Total retail sales in Metro Denver were essentially unchanged between July and August. On a year-to-date basis, August retail sales declined the most in Adams County (-19.7 percent) and the City and County of Denver (-15 percent). Sales for the entire seven-county region fell 14 percent year-to-date, and statewide retail sales were also down roughly 14 percent.

Total Retail Sales (\$000s)

	Month of Aug-09	Month of Jul-09	Month of Aug-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual Growth 2004	Annual Growth 1999
Total Metro Denver	6,314,371	6,317,380	7,289,830	49,882,491	58,003,542	-14.0%	7.4%	7.0%
Adams County	1,074,313	1,118,463	1,278,824	8,372,756	10,429,411	-19.7%	11.7%	10.5%
Arapahoe County	1,241,891	1,267,111	1,408,130	10,001,876	11,292,013	-11.4%	2.6%	10.2%
Boulder County	590,818	581,859	623,951	4,808,825	5,337,095	-9.9%	2.1%	4.1%
Broomfield County	112,790	108,684	138,259	939,985	1,040,829	-9.7%	49.4%	
Denver County	1,888,807	1,831,186	2,224,740	14,503,751	17,062,340	-15.0%	8.1%	2.2%
Douglas County	469,063	484,533	523,137	3,782,913	4,156,586	-9.0%	16.9%	18.3%
Jefferson County	936,690	925,544	1,092,789	7,472,384	8,685,268	-14.0%	3.8%	7.3%
Colorado	10,622,467	10,735,296	12,322,552	84,247,577	97,883,216	-13.9%	7.8%	7.4%

Source: Colorado Department of Revenue.

Consumer price data from the U.S. Bureau of Labor Statistics show energy prices increased in October for the fifth time in the past six months. Food prices rose slightly and automobile prices increased sharply, possibly because the Cash-for-Clunkers program kept September prices artificially low. Despite price gains in several spending categories, the overall Consumer Price Index continues to suggest that inflation pressures are largely absent.

Even so, consumers may still be feeling the effects of somewhat higher gas prices. The AAA *Daily Fuel Gauge Report* suggests the national average price per gallon of regular gasoline fell between October and November, but the November average (\$2.63) was 80 cents higher than the year-ago price. The Metro Denver price per gallon of regular gasoline averaged \$2.46 in November and was also 80 cents above the year-ago average.

October was the first month of 2009 in which the average Metro Denver hotel occupancy rate rose above the year-ago level. The October 2009 rate of 65.4 percent was slightly higher than the 64.8 percent rate reported in

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October 2008, but the October 2009 average room rate (\$119.23) was slightly below the year-ago average. The occupancy improvement could suggest travel trends are gradually strengthening, but the gain might also reflect the downward impact of the financial crisis on late-2008 occupancy levels.

Travel data for the Thanksgiving weekend have yet to be finalized, but a pre-holiday forecast released by AAA and IHS Global Insight suggested the nationwide count of people travelling more than 50 miles for the holiday would rise 1.4 percent from last year's count. Forecasters say this year's economic environment – while still challenging – poses far less uncertainty than holiday travelers faced in 2008. Thanksgiving travel in Colorado and other mountain states was expected to increase slightly less than the national average this year, although officials at Denver International Airport were expecting passenger counts for the Thanksgiving week to fall just short of record levels.

Metro Denver Hotel Statistics

	Month of Oct-09	Month of Sep-09	Month of Oct-08	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change	Annual 2004	Annual 1999
Percent of Hotel Rooms Occupied	65.4%	66.1%	64.8%	61.3%	68.6%	-10.6%	61.9%	67.2%
Average Hotel Room Rate	\$119.23	\$108.74	\$120.28	\$107.84	\$120.02	-10.1%	\$84.42	\$87.36

Source: Rocky Mountain Lodging Report.

Passenger traffic at Denver International Airport declined over-the-year in September after two consecutive months of growth. On a year-to-date basis, passenger traffic through September fell 2.5 percent below traffic reported during the same months last year.

That decline, however, is relatively mild given the drop in air passengers reported nationwide. Data from the Bureau of Transportation Statistics show U.S. airlines carried 4.1 percent fewer domestic and international passengers in August 2009 than they did one year earlier. On a year-to-date basis, U.S. airline passenger traffic was down 7.6 percent through August. Analysts say weaker demand for air travel could make for holiday fares that are 10 percent cheaper than fares last year, although reduced capacity is making reservations more difficult to come by.

Denver International Airport Passengers

	Month of Sep-09	Month of Aug-09	Month of Sep-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual 2004	Annual 1999
Number of Airline Passengers	4,011,123	4,877,212	4,017,761	38,335,231	39,338,285	-2.5%	42,275,913	38,034,017

Source: Denver International Airport, Traffic Statistics.

Stock market analysts say the weak dollar's positive influence on trading activity is outweighing investor fears about high unemployment, heavy debt, and other economic challenges. Many investors are trading in currencies and purchasing and re-selling dollar-denominated commodities, which are effectively discounted for foreign buyers when the dollar weakens. *Each of the national indexes rose between October and November, and their year-to-date returns ranged from 18 to 36 percent. The year-to-date return on the Bloomberg Colorado index reached an even higher 38 percent in November.*

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Stock Market Indexes

	Month of Nov-09	Month of Oct-09	Month of Nov-08	YTD Return 2009	YTD Return 2008	Ann Avg Return 2004
Bloomberg Colorado	303.2	290.7	208.0	37.5%	-53.8%	17.7%
S&P 500	1,095.6	1,036.2	896.2	21.3%	-39.0%	9.0%
NASDAQ	2,144.6	2,045.1	1,535.6	36.0%	-42.1%	8.6%
DJIA (Dow Jones)	10,344.8	9,712.7	8,829.0	17.9%	-33.4%	3.1%

Sources: Bloomberg.com, Yahoo! Finance.

Residential Real Estate

The latest *National Delinquency Survey* by the Mortgage Bankers Association (MBA) shows roughly one in seven U.S. mortgages was either past due or in foreclosure at the end of the third quarter. This represents the highest level of delinquency reported in the 37-year history of the MBA survey, and MBA spokespeople say prime loans have replaced their subprime counterparts as the key driver of U.S. foreclosure activity. The shift is largely attributable to job loss, which is forcing many homeowners to miss payments.

In Colorado, closer to one in ten home loans was delinquent or in foreclosure at the end of the third quarter. The state's overall delinquency rate of 6.7 percent was the highest reported since at least 1990, but the rate still ranked 10th lowest in the nation. A comparatively low delinquency rate is somewhat hollow praise as Colorado's foreclosure trend has shown little improvement: according to MBA data, the state's foreclosure rate has more than doubled over the past three years.

A report recently released by First American CoreLogic gives a slightly different perspective on the state's housing troubles. The report suggests that almost one in five Colorado mortgages now has negative equity, and a slightly higher share of mortgages in the Denver-Aurora-Broomfield MSA is also underwater. Comparable statistics at the national level showed 23 percent of U.S. homes had negative equity in September.

Negative equity continues to leave homeowners vulnerable to foreclosure, particularly as unemployment rises. Many public programs designed to help homeowners avoid foreclosure have had limited success to date, although some borrowers will soon have another alternative. Government-controlled mortgage lender Fannie Mae recently unveiled its so-called Deed-for-Lease program, which will allow delinquent borrowers to sign a one-year lease on their properties after they surrender title. Proponents of the program hope it will stabilize communities, give homeowners time to transition, and eliminate much of the administrative cost of foreclosure.

While various foreclosure abatement programs should have greater success as they mature, the National Association of Realtors (NAR) expects foreclosures to keep upward pressure on U.S. home inventory next year. Even so, NAR analysts say home sales and prices will stabilize in 2010 with help from the extended and expanded buyers' credits. NAR forecast data show U.S. existing home sales could rise 13.6 percent next year, and home prices could increase between three and five percent.

Home Resales

Largely thanks to the first-time homebuyers' tax credit, U.S. existing home sales rose in October to the highest level reported since February 2007. *According to the NAR, October existing home sales rose 10.1 percent from September and were almost 24 percent higher than sales from October 2008.* Analysts say the considerable gain reflects many buyers' rush to take advantage of the credit, which could also translate into a major gain in November. Partly because the now-extended credit has removed some of the immediate urgency from homebuying, the NAR expects somewhat weaker sales through the winter months. On an over-the-year basis,

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October sales gains were strongest in the Midwest (+28.8 percent) and Northeast (+27.7 percent), followed by gains in the South (+25.7 percent) and West (+12 percent).

Metro Denver home sales rose 2.9 percent between September and October. October home sales were 7.6 percent below sales from October 2008, but this over-the-year gap in sales was the smallest reported since December 2008. Put another way, the pace of Metro Denver home sales is slowly strengthening and should reach a point early next year where monthly sales exceed those reported in 2009. Slow improvements in home sales have also helped stabilize Metro Denver prices. The October average sales price for single-family homes rose 4.6 percent over-the-year, and the average price for the first 10 months of the year moved within five percent of the average for the same months of 2008. The year-to-date average condominium price was down 7.1 percent in October, but condominium prices are also showing signs of gradual improvement.

Previously-Owned Home Sales Activity

	Month of Oct-09	Month of Sep-09	Month of Oct-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Ann Avg 2004	Ann Avg 1999
Home Sales (Under Contract)	4,910	5,228	4,504	49,702	55,724	-10.8%	66,196	38,248
Home Sales (Closed)	3,958	3,846	4,282	35,512	41,683	-14.8%	54,012	46,742
Unsold Homes on Market	18,945	19,834	23,120	18,945	23,120	-18.1%	23,267	9,350
Average Sales Price-Single Family	\$261,771	\$274,433	\$250,172	\$263,328	\$274,528	-4.1%	\$289,803	\$208,274
Average Sales Price-Condo	\$161,451	\$168,288	\$164,686	\$160,382	\$172,632	-7.1%	\$180,986	\$122,562
Median Sales Price-Single Family	\$222,000	\$225,000	\$206,000	\$219,000	\$222,000	-1.4%	\$236,240	
Median Sales Price-Condo	\$135,000	\$145,000	\$130,300	\$136,000	\$139,900	-2.8%	\$157,000	

*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

Falling inventory and better home sales are helping to stabilize home prices, although distressed properties are still exerting considerable influence on the market. Data from the NAR show distressed properties accounted for 30 percent of U.S. home sales in October, and the median home price in that month (\$173,100) fell roughly seven percent below the October 2008 median.

A separate NAR data set shows the Denver-Aurora-Broomfield MSA was one of 30 metropolitan areas to report an increase in median home price between the third quarters of 2008 and 2009. The increase was also the first reported for Metro Denver in two years and contrasted with an 11.2 percent over-the-year decline in the nationwide median. Third quarter median home prices also declined over-the-year in the remaining 123 metro areas with the largest declines in median price reported in Cape Coral-Fort Myers, Florida (-40 percent) and in Las Vegas-Paradise, Nevada (-35 percent). Third quarter median home prices for the other two Colorado metro areas included in the data – Boulder and Colorado Springs – fell over-the-year by 0.9 percent and 6.2 percent, respectively. The NAR will release median home price data for the fourth quarter on February 11.

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

	Quarter 3 2009 (p)	Quarter 2 2009 (r)	Quarter 3 2008	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change	Median 2004	Median 1999
Boulder-Longmont MSA	\$358.3	\$373.3	\$361.5	\$353.3	\$364.3	-3.0%	\$325.3	n/a
Denver-Aurora-Broomfield MSA	\$229.1	\$223.7	\$225.1	\$215.2	\$224.6	-4.2%	\$239.1	\$171.3
United States	\$177.9	\$174.2	\$200.4	\$173.1	\$201.0	-13.8%	\$195.2	\$141.2

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

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The annual rate of decline in the S&P/Case-Shiller U.S. National Home Price Index slowed again in the third quarter. Annual rates of return – while still negative – are also improving for the 10-City and 20-City Composite Indices and a majority of the 20 individual metro area indices. The indices for Dallas and Denver both showed the lowest rate of annual decline (1.2 percent) reported among the 20 metro indices in September.

Foreclosures

Data from RealtyTrac show the number of foreclosure filings made on U.S. homes declined for the third consecutive month in October. The October count of filings was still up roughly 19 percent from the year-ago level, although the improvements of recent months suggest a few more U.S. homeowners have been able to avoid foreclosure. October foreclosure filings in California, Illinois, Florida, and Michigan accounted for 52 percent of total filings nationwide.

Metro Denver foreclosure filings declined slightly between September and October, but the October count of filings was roughly 2.5 percent higher than the count from October 2008. Foreclosure filings for the first ten months of the year declined slightly from filings for the same months of 2008 in Adams County and the City and County of Denver, which were also among the counties most severely affected as the foreclosure crisis first unfolded. Year-to-date filings through October increased in the remaining five Metro Denver counties, with the largest gains in Boulder County (+39.4 percent), Douglas County (+24.7 percent), and the City and County of Broomfield (+22 percent).

Real Estate Foreclosures

	Month of Oct-09	Month of Sep-09	Month of Oct-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual Total 2004
Total Metro Denver*	2,123	2,218	2,071	22,408	21,097	6.2%	12,252
Adams County	417	429	432	4,836	4,890	-1.1%	2,498
Arapahoe County	533	555	460	5,196	4,936	5.3%	3,125
Boulder County	112	170	82	1,202	862	39.4%	524
Broomfield County	19	19	17	277	227	22.0%	134
Denver County	480	453	559	5,270	5,318	-0.9%	3,345
Douglas County	219	233	225	2,245	1,800	24.7%	800
Jefferson County	343	359	296	3,382	3,064	10.4%	1,826

*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.

New Homes

Data from the U.S. Department of Commerce show nationwide new home sales rose a larger-than-expected 6.2 percent between September and October. Total October sales were 5.1 percent above the year-ago level, and the supply of unsold new homes fell to the lowest level in nearly three years. The month's gain was entirely due to a 23.2 percent increase in home sales in the South, as sales declined between September and October in the West, Northeast, and Midwest.

While new home sales increased in October, new housing starts fell sharply. According to the Department of Commerce, new housing starts fell 10.6 percent between September and October, and October starts were more than 30 percent below the number reported in October 2008. Compared to building activity in October 2008, activity in October 2009 had slowed the most in the South (-33 percent) and the West (-32 percent), followed by building activity in the Northeast (-26 percent) and Midwest (-23 percent). Many analysts say the weak October reading on new construction reflects builder uncertainty over the first-time homebuyers' tax credit, which was scheduled to expire at the time data were collected.

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Spokespeople for the National Association of Homebuilders (NAHB) say a weak November reading for the NAHB/Wells Fargo Housing Market Index also reflected builder uncertainty about the homebuyer tax credit. The November index remained unchanged from October at the sixth-lowest level reported since the index launched in 1985. NAHB analysts say builder confidence and building activity should improve now that the tax credit has been extended, but other challenges facing builders – including lack of credit for development and weak appraisal values – could still strain the market in the months ahead.

A spike in Metro Denver building permit activity in September largely reflected an apartment project in Lafayette and condominium projects permitted in Arapahoe County and the City and County of Denver. Builders pulled a total of 417 permits throughout September in a 48 percent increase from the prior month. Even with the increased activity, total Metro Denver permits pulled through the first nine months of the year fell almost 63 percent below permits pulled in the same months of 2008.

Residential Building Permits

	Month of Sep-09	Month of Aug-09	Month of Sep-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Total 2004	Total 1999
Single-Family Detached Units	234	252	257	1,765	3,138	-43.8%	14,260	17,523
Single-Family Attached Units	87	30	59	480	1,171	-59.0%	4,843	2,883
Multi-Family Units	96	0	7	438	2,885	-84.8%	2,681	4,784
Total Units	417	282	323	2,683	7,194	-62.7%	21,784	25,190

Source: Home Builders Association of Metro Denver.

Apartment Rental Market

Metro Denver's average apartment vacancy rate fell from nine percent in the second quarter to 7.4 percent in the third quarter, although the third quarter rate was roughly one percentage-point higher than the year-ago vacancy level. A healthy job market tends to correlate with declining apartment vacancy, but Metro Denver job losses over the past year make the labor market an unlikely explanation for the third quarter drop in vacancy rates. The true reason for the shift is unclear, although high unemployment and the difficult housing market may be keeping downward pressure on vacancy if the poor conditions force more homeowners to rent. Consistent with the decline in vacancy, the Metro Denver average apartment rental rate rose from \$870 in the second quarter to \$881 in the third quarter.

Apartment Statistics

	Quarter 3 2009	Quarter 2 2009	Quarter 3 2008	YTD Average 2009	YTD Average 2008	YTD Average % Change	Annual Average 2004	Annual Average 1999
Apartment Vacancy Rate	7.4%	9.0%	6.5%	8.3%	6.2%		9.7%	4.5%
Average Monthly Rental Rate (all units)	\$881	\$870	\$892	\$878	\$880	-0.2%	\$817	\$717

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

The most recent *Quarterly Survey of Commercial/Multi-Family Mortgage Bankers Originations* shows loan origination volume for commercial and multi-family properties fell 54 percent between the third quarters of 2008 and 2009. The survey – produced by the Mortgage Bankers Association – shows that commercial loans from banks and life insurance companies increased slightly between the second and third quarters, but a drop in multi-family lending by Fannie Mae and Freddie Mac dwarfed the improvement. On an over-the-year basis, third

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quarter lending by life insurance companies fell 58 percent, followed by lending from commercial banks (-52 percent) and lending from Fannie Mae and Freddie Mac (-31 percent). Originations of conduit loans – or those bundled and sold as commercial mortgage-backed securities – fell an even larger 90 percent over-the-year.

Limited credit availability is a major obstacle for the many developers and property owners hoping to restructure debt. The Residences at the Ritz-Carlton, Denver is the latest luxury condominium project to announce credit difficulties. The project has entered foreclosure after just one of the 25 units sold, and the project's lender is repossessing and reworking the units. The Ritz project has faced stiff competition from the nearby Four Seasons Hotel and Private Residences, so the Ritz lender has also opted to reduce the condominium prices.

The difficult credit market is also forcing changes for other projects. Developers say the Clyfford Still museum – a new Denver facility that will be entirely dedicated to the abstract artist's work – will break ground in early December. As the recession froze credit markets, museum officials delayed the building's construction until they could raise 85 percent of the project cost in cash. They are now ready to proceed with development on a slightly downsized building, and the project is scheduled to be completed by the middle of 2011.

The handful of developments moving forward were, in most cases, planned before the recession struck. Because market fundamentals have weakened considerably since then, many real estate experts say several years could pass before speculative development resumes in Metro Denver. *The third quarter Office Market Report by Frederick Ross Company suggests 2009 could be the first full year of negative office market absorption in Metro Denver since 2002. A slowing pace of negative absorption may mean the office market decline is nearing bottom, however.* Sublease space has been less of a burden on the market in 2009 than in 2001 when the collapse of many tech-centered companies made for a rapid increase in vacated space. *Still, sluggish credit markets, uncertainty over economic recovery, and high unemployment will limit demand in the office market for at least the next year. Given this outlook, Frederick Ross Company expects several years will pass before lease rates return to levels that support new development.*

Data from CoStar Realty Information, Inc. also show office market fundamentals weakening. The direct office market vacancy rate rose four-tenths of one percentage point to 13.9 percent in the third quarter, and direct average lease rates fell by roughly \$0.40 per square foot to end the quarter at \$20.60.

Office Market Statistics

	Quarter 3 2009	Quarter 2 2009	Quarter 3 2008	Quarter 3 2007	Quarter 3 2006	Quarter 3 2005
Number of Buildings	5,274	5,270	5,243	5,169	5,113	5,053
Existing Square Feet (millions)	163.1	162.8	160.9	159.4	157.7	156.1
Vacant Square Feet (direct, millions)	22.6	22.0	19.9	18.9	19.5	21.7
Vacancy Rate (direct)	13.9%	13.5%	12.4%	11.9%	12.3%	13.9%
Vacancy Rate (with sublet)	15.0%	14.7%	13.2%	12.5%	13.2%	15.2%
Avg. Lease Rate (direct, per sq. ft, full service)	\$20.60	\$21.03	\$21.61	\$20.48	\$18.30	\$17.24
New Construction Completed (year-to-date)	0.93 MSF, 19 Bldgs	0.69 MSF, 15 Bldgs	1.05 MSF, 44 Bldgs	1.06 MSF, 39 Bldgs	0.96 MSF, 33 Bldgs	0.50 MSF, 31 Bldgs
Currently Under Construction	1.76 MSF, 13 Bldgs	1.93 MSF, 13 Bldgs	3.41 MSF, 54 Bldgs	2.94 MSF, 74 Bldgs	1.77 MSF, 48 Bldgs	1.21 MSF, 32 Bldgs

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

The third quarter Industrial Market Report by Frederick Ross Company suggests Metro Denver's industrial market – while certainly affected by the recession – has fared better than markets for other property types and is in better condition than industrial markets nationwide. The region's industrial market vacancy rate was more than two percentage points lower than the comparable nationwide rate in the third quarter, and restrained development has kept the region's balance of supply and demand more favorable throughout the recession.

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Data from CoStar Realty Information, Inc. also suggest that a near-standstill in Metro Denver industrial market construction is a key factor in the market's relative stability. In fact, the CoStar series shows Metro Denver's direct industrial vacancy rate actually declined to 7.1 percent in the third quarter. Average industrial market lease rates declined slightly to \$4.85 per square foot in the third quarter.

Metro Denver's flex market has suffered larger recession impacts than the region's industrial market. Data from CoStar Realty Information, Inc. show the direct flex market vacancy rate rose in the third quarter to 15 percent, or the highest rate reported for the market since 2005. Direct average lease rates fell by roughly \$0.10 per square foot to end the third quarter at \$9.43. Flex market construction activity has essentially halted.

Industrial Market Statistics

	Quarter 3 2009	Quarter 2 2009	Quarter 3 2008	Quarter 3 2007	Quarter 3 2006	Quarter 3 2005
Number of Buildings	6,635	6,633	6,621	6,575	6,519	6,465
Existing Square Feet (millions)	214.0	213.9	212.9	210.7	207.9	205.6
Vacant Square Feet (direct, millions)	15.2	15.4	13.3	12.5	14.7	15.8
Vacancy Rate (direct)	7.1%	7.2%	6.3%	6.0%	7.1%	7.7%
Vacancy Rate (with sublet)	7.3%	7.5%	6.6%	6.1%	7.4%	8.1%
Avg. Lease Rate (direct, per square foot, NNN)	\$4.85	\$4.99	\$5.16	\$5.02	\$4.93	\$4.71
New Construction Completed (year-to-date)	0.23 MSF, 6 Bldgs	0.19 MSF, 4 Bldgs	1.77 MSF, 33 Bldgs	1.34 MSF, 20 Bldgs	1.19 MSF, 20 Bldgs	0.61 MSF, 21 Bldgs
Currently Under Construction	0 MSF, 0 Bldgs	0 MSF, 0 Bldgs	0.90 MSF, 11 Bldgs	1.17 MSF, 23 Bldgs	1.53 MSF, 25 Bldgs	0.84 MSF, 21 Bldgs

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

Flex Space Statistics

	Quarter 3 2009	Quarter 2 2009	Quarter 3 2008	Quarter 3 2007	Quarter 3 2006	Quarter 3 2005
Number of Buildings	1,347	1,344	1,331	1,304	1,288	1,268
Existing Square Feet (millions)	38.2	38.1	37.5	36.7	36.4	35.9
Vacant Square Feet (direct, millions)	5.7	5.5	4.8	4.3	4.7	5.0
Vacancy Rate (direct)	15.0%	14.4%	12.7%	11.8%	13.0%	13.9%
Vacancy Rate (with sublet)	15.8%	15.1%	13.5%	12.6%	13.5%	14.8%
Avg. Lease Rate (direct, per square foot, NNN)	\$9.43	\$9.53	\$9.92	\$9.22	\$8.43	\$8.15
New Construction Completed (year-to-date)	0.27 MSF, 8 Bldgs	0.10 MSF, 5 Bldgs	0.59 MSF, 20 Bldgs	0.16 MSF, 8 Bldgs	0.39 MSF, 13 Bldgs	0.26 MSF, 16 Bldgs
Currently Under Construction	0 MSF, 0 Bldgs	0.20 MSF, 4 Bldgs	0.38 MSF, 11 Bldgs	0.38 MSF, 11 Bldgs	0.07 MSF, 2 Bldgs	0.23 MSF, 7 Bldgs

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

The third quarter Retail Market Report by Frederick Ross Company notes that the recession has been particularly hard on Metro Denver's strip-format retail space, which has borne the closures of Circuit City, Albertson's, and other big box stores. While Metro Denver retail vacancy has risen considerably, the market would have weakened further were it not for the pre-lease of several major developments. The immediate outlook for the retail market remains murky, largely because retailers are still modifying their operations and sales strategies to capture limited consumer demand.

Data from a separate source – CoStar Realty Information, Inc. – show the region's direct retail market vacancy rate rose in the third quarter to the highest level (9 percent) reported in at least a decade. The third quarter average

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lease rate fell to \$16.56 per square foot in a fifth-consecutive quarterly decline. Total retail property under construction in the third quarter was less than one-fifth of the volume under construction one year ago, although several large projects – including Phase II of Lincoln Commons in Douglas County and a Super Target store in Highlands Ranch – continued under development.

Retail Market Statistics

	Quarter 3 2009	Quarter 2 2009	Quarter 3 2008	Quarter 3 2007	Quarter 3 2006	Quarter 3 2005
Number of Buildings	7,813	7,792	7,714	7,590	7,475	7,310
Existing Square Feet (millions)	149.7	149.1	147.5	143.9	140.9	136.6
Vacant Square Feet (direct, millions)	13.5	12.9	11.6	9.7	10.6	9.1
Vacancy Rate (direct)	9.0%	8.7%	7.8%	6.7%	7.6%	6.6%
Vacancy Rate (with sublet)	9.4%	9.0%	8.1%	7.0%	7.8%	6.9%
Avg. Lease Rate (direct, per square foot, NNN)	\$16.56	\$16.87	\$17.43	\$16.49	\$16.06	\$15.62
New Construction Completed (year-to-date)	1.58 MSF, 62 Bldgs	1.05 MSF, 37 Bldgs	2.55 MSF, 73 Bldgs	1.04 MSF, 26 Bldgs	3.47 MSF, 34 Bldgs	N/A
Currently Under Construction	0.55 MSF, 17 Bldgs	0.62 MSF, 24 Bldgs	2.94 MSF, 72 Bldgs	5.94 MSF, 127 Bldgs	4.23 MSF, 62 Bldgs	N/A

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

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Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↑	↓	Employment increased by 500 jobs Sep to Oct; YTD emp. down 3.9% through Oct 2009.
% Companies Hiring (Denver Area)	↔	↓	9% of companies expect to add workers in Q4 2009 and 77% expect no change.
Unemployment Rate	↓	↑	Metro rate 6.6% in Oct; YTD avg. rate of 7.4% up from 4.8% in 2008.
Initial Unemployment Insurance Claims	↓	↑	Claims decreased Sep to Oct; YTD claims up 72.9% through Oct 2009.
Total Retail Sales	↓	↓	Metro retail sales decreased Jul to Aug; total sales down 14% YTD through Aug 2009.
Consumer Confidence Index	↓	↓	Mountain Region down to 38 in Nov from 59.3 in Oct; index down 39% YTD through Nov 2009.
Hotel Occupancy	↓	↓	Hotel occupancy decreased from 66.1% in Sep to 65.4% in Oct; occupancy down 10.6% YTD.
DIA Passengers	↓	↓	Traffic decreased Aug to Sep; traffic down 2.5% YTD through Sep 2009.
Bloomberg Colorado Index	↑	↑	Bloomberg Colorado Index up 4.3% from Oct to Nov; year-to-date return at 37.5%.
Dow Jones Industrial Average	↑	↑	DOW increased 6.5% Oct to Nov; year-to-date return at 17.9%.
Home Sales (closed)	↑	↓	Home sales increased 2.9% Sep to Oct; YTD sales down 14.8% through Oct.
Median Home Price (Denver-Aurora MSA)	↑	↓	Median home price in Denver MSA up 2.4% Q2 to Q3 2009; YTD price down 4.2%
Foreclosures	↓	↑	Foreclosures decreased 4.3% Sep to Oct; YTD up 6.2% through Oct 2009.
Residential Building Permits (Total)	↑	↓	Total permits increased between Aug and Sep; YTD down 62.7% through Sep 2009.
Apartment Vacancy Rate	↓	↑	Vacancy rate decreased from 9% in Q2 to 7.4% in Q3; avg rental rate at \$881 per month.
Office Vacancy Rate (with Sublet)	↑	↑	Vacancy up from 14.7% to 15% in Q3 2009; avg lease rate down to \$20.60/sq.ft.
Industrial Vacancy Rate (with Sublet)	↓	↑	Vacancy rate decreased from 7.5% to 7.3% in Q3 2009; avg lease rate down to \$4.85/sq. ft. (NNN)
Retail Space Vacancy Rate (with Sublet)	↑	↑	Vacancy rate up from 9% to 9.4% in Q3; avg. lease rate down to \$16.56/sq. ft. (NNN)
<i>Positive Changes</i>	11 of 18	2 of 18	



Economic and Demographic Research

Industry Studies

Fiscal and Economic Impact Analysis

Real Estate Economics

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