



**Metro Denver**  
Economic Development Corporation

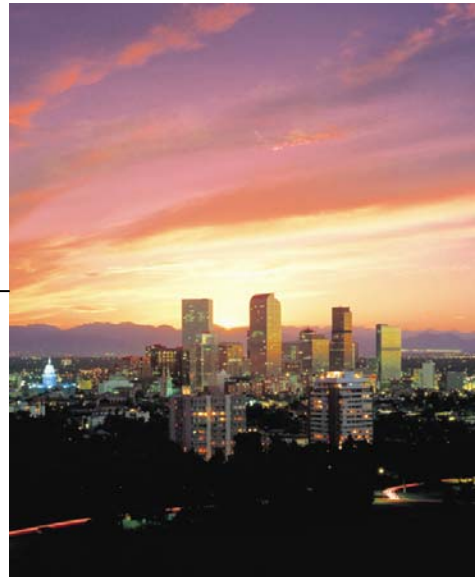
# Monthly Economic Summary

## *A Monthly Summary of Economic Conditions in Metro Denver*

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

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**Development  
Research Partners**

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10184 West Belleview Avenue  
Suite 100  
Littleton, Colorado 80127  
[www.DevelopmentResearch.net](http://www.DevelopmentResearch.net)  
303.991.0070

# 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 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

- ◆ *Forbes* recently ranked Colorado fifth among “The Best States for Business and Careers.” Editors compiled the ranking based on each state’s business costs and regulations, economy, labor supply, quality of life, and growth prospects. Colorado received its highest rankings for labor supply (first), economic climate (10th), and quality of life (10th). Utah ranked first overall, followed by Virginia, North Carolina, and North Dakota.
- ◆ Colorado ranked fifth in a recent Harris Poll that asked adults where – excluding their current home state – they would most like to live. Hawaii, California, and Florida ranked as the top three states. Denver ranked as the 10th-most favored residence in a separate, city-level survey.
- ◆ *Forbes* named seven Colorado businesses to its list of “America’s Most Promising Companies.” Editors assembled the list of 100 businesses using a proprietary database with information on investment, management turnover, and a host of other factors. Denver-based hamburger chain Smashburger ranked first on the list, and two other Denver-based companies – mortgage auditing company Allonhill and software producer Four Winds Interactive – ranked within the top 20.
- ◆ Jones Lang LaSalle’s 2011 *Life Sciences Cluster Report* suggests Metro Denver – which the company calls an “emerging” bioscience market – ranks as the 12th best location for life science ventures. Researchers ranked 16 established and emerging bioscience markets based on their academic and other research facilities, government and venture capital funding for bioscience, research and development spending, and depth and concentration of the science-based workforce. Boston, the New York/New Jersey area, and the San Francisco Bay Area ranked as the top three bioscience markets.
- ◆ Denver is the nation’s fittest city, according to a recent ranking by news web site The Daily Beast. Contributors ranked 30 cities based on their residents’ prevalence of obesity, physical activity habits, and healthy behaviors using data from the American College of Sports Medicine’s American Fitness Index and the Gallup-Healthways *Well Being Index*. San Francisco ranked second overall and Washington, DC ranked third.

## Policy Watch

### *International & National*

- ◆ The Federal Reserve, the European Central Bank, and central banks of several other countries recently announced a joint effort to keep global financial markets flowing freely. European banks have reported liquidity shortages as weary investors shun the euro and seek more stable foreign currencies. To keep funds flowing, central banks from the U.S. and other countries agreed to lower the cost of dollar swaps, which are temporary loans of U.S. dollars foreign banks can use to recapitalize.

While investors cheered the central bank agreement and stocks rose noticeably, they subsequently waived as the euro zone debt crisis continued to unfold. Even France and Germany – which are often perceived as fiscally sound – have had trouble convincing investors to assume public debt, and Greece and other more troubled countries are struggling with new emergency leadership. European leaders will convene for a key

# MONTHLY ECONOMIC SUMMARY

policy meeting on December 9, but their ability to compromise on very different approaches to public finance remains in question.

In the meantime, economists say Europe has already entered a mild recession. A European downturn could threaten other countries' export industries and their broader recoveries, and an extreme breakdown in Europe – one that resulted in a breakup of the euro zone – could deeply shake global financial markets.

- ◆ The bipartisan “super committee” selected to identify \$1.2 trillion in U.S. budget cuts for the next decade admitted defeat just before its Thanksgiving deadline. As 2012 is an election year, political experts say any further debate on the budget will likely wait until 2013, at the earliest. In the meantime, budget legislation passed earlier this year mandates that \$1.2 trillion in automatic spending cuts – called “sequesters” – begin in 2013. President Obama and high-ranking officials with both parties say they will not support any moves to modify the automatic cuts, although lobbyists and other groups are seeking ways to blunt the impact of spending reductions on defense and other key service areas.

Not all of the impact from budget disagreements will wait until 2013, however. The super committee's failure also jeopardized the extension of last year's payroll tax cut and an extension of unemployment insurance benefits, both of which are scheduled to expire as 2011 ends. Also in jeopardy is an increase in the limit for the alternative minimum tax, which could otherwise affect more middle-class families next year. Threatened business tax measures include a credit for research and development and a “bonus” depreciation provision for new purchases. The federal government is also operating on a temporary funding resolution that must be renewed or renegotiated by mid-December.

Lawmakers had hoped to include compromises on some of these measures as part of a super committee deal that would have been protected from political roadblocks and passed by December 23. Any action on the measures must now occur through the standard congressional process by the end of this year.

So far, the standard process has accomplished little more than debate. Democrats generally want to extend and enlarge the payroll tax cut – which boosts take-home pay by reducing social security contributions – and have proposed paying for the measure via higher taxes for the wealthy. Many Republicans would rather pay for the tax cut by shrinking the federal workforce, freezing federal salaries, or developing a means-testing model for Social Security. Whether or not lawmakers can work through their disagreements to fund the payroll tax cut – which could cost as much as \$265 billion – remains unclear.

- ◆ President Obama recently unveiled the Healthcare Innovation Challenge, a program that will provide slightly less than \$1 billion in grant funding for doctors, nonprofits, and other organizations that participate in Medicaid, Medicare, and other federal healthcare programs. Grant recipients must propose ways to grow the healthcare workforce and improve the quality of federally sponsored healthcare, all while reducing the programs' costs.

## Colorado

- ◆ Several high-profile measures on the November ballot received a cool reception from Colorado voters. Voters defeated Proposition 103 – legislation that would have temporarily increased the state's sales and income taxes to fund education – and Initiative 300, which would have required Denver employers to provide paid sick leave.
- ◆ Colorado Governor Hickenlooper's proposed budget for the next state fiscal year – which begins in July 2012 – would reduce K-12 funding by \$89 million and higher education funding by \$60.3 million to help pay for growth in the state's Medicaid caseload. The budget proposal would also continue a freeze on the Homestead tax exemption, which reduces property taxes for seniors. Colorado's Office of Economic Development and International Trade would receive a \$9.1 million funding increase under the new budget, and the governor's

# MONTHLY ECONOMIC SUMMARY

spokespeople say the gain should provide critical support for job creation. Jobs ultimately fund schools by increasing tax revenues, they say.

- ◆ The Denver Regional Council of Governments (DRCOG) recently received a \$4.5 million grant from the U.S. Department of Housing and Urban Development for transit-oriented projects related to FasTracks. A variety of public and private organizations included under the DRCOG grant will provide an additional \$8 million in matching funds. All resources will be used to support environmental remediation and economic and housing development along light rail lines throughout Metro Denver.
- ◆ The Regional Transportation District (RTD) and the City and County of Denver recently announced a collaborative funding deal that will pay for improvements along what will be the commuter rail corridor to Denver International Airport. Upgrades to the corridor – which could cost roughly \$75 million – will allow for two more rail stations near Peña Boulevard. Denver will ultimately invest \$30 million in the project, and RTD will invest \$45 million.
- ◆ The Colorado Innovation Network (COIN) – a privately funded alliance designed to foster new technology development across the state’s existing and emerging industries – recently launched. COIN is part of Governor John Hickenlooper’s economic development plan, Blueprint Colorado, and will eventually operate from a business incubator in the Denver Tech Center.
- ◆ Officials with the City and County of Denver have withdrawn their application for tax increment financing (TIF) that would have helped the city relocate the National Western Stock Show from its current location to one in Aurora. Denver filed its application jointly with the city of Aurora, which is seeking TIF funding for the proposed Gaylord Hotel Development. Aurora officials say they will keep their application in place regardless of the stock show status.

## General Economic Overview

In late November, the Bureau of Economic Analysis (BEA) revised its preliminary estimate of third quarter growth in U.S. gross domestic product (GDP) to reflect household spending, business spending on equipment and real estate, and business inventories that were all smaller than analysts originally thought. Because of the revisions, the original estimate of GDP growth (+2.5 percent) fell to a two percent annual rate.

Still, the two percent growth rate – while weak from an historic perspective – was much stronger than the 0.4 percent and 1.3 percent growth rates reported in the first and second quarters of the year, respectively. Some analysts also note that lower business inventories can be a positive sign as they – assuming demand is sufficient – can lay the foundation for an uptick in manufacturing activity. The BEA will release a final revision to its third quarter GDP growth estimate on December 22.

## Economic Indexes & Notable Data Releases

### *National*

- ◆ Because the increase in U.S. exports (+1.4 percent) between August and September exceeded the gain in imports (+0.3 percent), the nation’s overall trade deficit declined (-4 percent). Lower oil prices were partly behind the small increase in imports.
- ◆ The Conference Board’s U.S. Leading Economic Index rose 0.9 percent between September and October, and the group’s Coincident Index – which measures current economic conditions – increased a smaller 0.2 percent. The increase in the leading index partly reflects an increase in homebuilding activity, and Conference Board economists predict U.S. economic growth could accelerate slightly if consumer and business confidence stabilizes.

# MONTHLY ECONOMIC SUMMARY

- ◆ The Institute for Supply Management's Purchasing Managers Index (PMI) rose from 50.8 in October to 52.7 in November. Respondents to the manufacturing survey gave a generally positive assessment of business conditions in manufacturing, although some recent developments in the international marketplace – including the European debt crisis, higher oil prices, and flooding in Asia – were troubling.
- ◆ The Institute for Supply Management's Non-Manufacturing Index fell from 52.9 in October to 52 in November. The index suggests the service sector is growing, but respondents to the service sector survey had mixed views of the market. Respondents in retail trade, for example, expect a slowly healing market while respondents in accommodations and food service say they have seen no signs of improvement.
- ◆ The National Association of Business Economists' November 2011 NABE Outlook – a compilation of forecasts by 49 member economists – suggests U.S. GDP will increase a modest 2.4 percent in 2012. Contributing economists expect consumer spending will grow at a below-trend rate next year partly because they expect only a slight decline in unemployment. NABE forecasters are also worried about the impact of the European crisis on U.S. exports, but most of the survey respondents said they do not expect the nation will experience another recession.
- ◆ Not all economists are so optimistic. Researchers at the San Francisco Federal Reserve Bank, for example, released a statement in mid-November that suggests the nation has more than a 50 percent chance of entering recession by early 2012. The combination of a weak U.S. economy and turbulence in Europe has boosted the recession risk substantially, bankers say, but they expect conditions will improve noticeably in the second half of 2012 if the nation can avoid a downturn early next year.

## Local

- ◆ The University of Colorado Boulder Leeds School of Business recently released its 2012 *Colorado Business Economic Outlook*, which predicts employers statewide will add roughly 23,000 jobs (+1 percent employment growth) in 2012. Forecasters expect percentage job growth will be highest in natural resources, education and health services, construction, and professional and business services.
- ◆ A report recently released by the Census Bureau shows in-migrants to Colorado outnumber the state's native-born residents. An estimated 42.5 percent of the state's residents in 2010 were born in Colorado, and 46.2 percent were born elsewhere.
- ◆ The University of Colorado Boulder's Leeds Business Confidence Index for the fourth quarter registered 47.3, down from 51.6 reported for the third quarter. The decline suggests a majority of local business leaders expect the economy will perform poorly over the next three months. A subindex that measures hiring expectations declined noticeably between the third and fourth quarter surveys.
- ◆ Vectra Bank's Colorado Small Business Index fell from a revised September reading of 114.8 to 114.3 in October. A statement from the bank's corporate economist suggests weak growth at the national level continues to muddy conditions for the state's small businesses.
- ◆ The Goss Institute's Colorado Business Conditions Index rose from 53.3 in October to 56.2 in November. While the state's economy is slowly improving, Goss Institute spokespeople say, local employers appear more willing to extend hours for incumbent workers than they are willing to add new employees.

## Labor Force and Employment

*Metro Denver employers added a sizeable number of jobs – 7,100 – between September and October. Compared to employment in October 2010, October employment was up the most in professional and business services (+4.3 percent), other services (+3.6 percent), and wholesale and retail trade (+2.7 percent). Total Metro Denver employment across all industries in October was 1.1 percent higher than the year-ago level, and employment*

# MONTHLY ECONOMIC SUMMARY

*nationwide was also up 1.1 percent. Employment statewide was 1.4 percent higher in October than it was one year prior.*

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

	Month of Oct-11 (p)	Month of Sep-11	Month of Oct-10	Year-to- Date Average 2011	Year-to- Date Average 2010	Year-to- Date Average % Change	Annual Growth Rate 2006	Annual Growth Rate 2001
<b>Total 11-County Metro Denver*</b>	1,374.7	1,367.6	1,359.2	1,355.1	1,347.9	0.5%	2.0%	0.0%
Denver-Aurora MSA	1,210.0	1,205.2	1,198.3	1,194.8	1,189.5	0.4%	2.1%	-0.2%
Boulder-Longmont MSA	164.7	162.4	160.9	160.3	158.4	1.2%	1.5%	1.5%
Natural Resources & Construction	74.8	74.6	75.2	71.2	74.5	-4.4%	4.3%	2.0%
Manufacturing	76.3	77.1	76.7	76.8	76.2	0.8%	-0.4%	-5.8%
Wholesale & Retail Trade	208.4	207.9	203.0	205.0	201.0	2.0%	1.4%	-0.4%
Transp., Warehousing & Utilities	48.3	47.8	47.3	47.3	47.3	0.0%	0.0%	2.3%
Information	49.4	49.3	52.5	50.7	53.3	-4.8%	-1.2%	-3.3%
Financial Activities	95.1	94.6	97.2	95.4	97.7	-2.4%	0.8%	-0.3%
Professional & Business Services	242.2	240.8	232.2	236.7	230.2	2.8%	4.1%	-1.4%
Education & Health Services	167.9	166.9	164.0	165.9	161.8	2.5%	2.9%	4.1%
Leisure & Hospitality	146.3	147.2	144.9	145.9	144.1	1.2%	2.9%	1.0%
Other Services	54.5	53.0	52.6	52.8	52.7	0.2%	2.1%	-0.2%
Government	211.5	208.4	213.6	207.4	209.0	-0.8%	1.3%	2.5%
Federal Gov't	30.3	30.3	30.5	30.3	31.7	-4.5%	-1.8%	-3.3%
State Gov't	56.5	55.1	54.4	52.2	50.5	3.5%	1.0%	1.6%
Local Gov't	124.7	123.0	128.7	124.8	126.8	-1.6%	2.2%	4.7%
Colorado	2,261.2	2,255.0	2,229.2	2,233.0	2,216.6	0.7%	2.4%	0.6%
United States	132,572	131,689	131,071	130,814	129,540	1.0%	1.8%	0.0%

\*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

## Metro Denver Industry Cluster Headlines

### Aerospace

- Boulder-based Ball Aerospace & Technologies Corp. recently won a U.S. Air Force award for data processing improvements on two military drones. The award could be worth at least \$17 million, Ball spokespeople say.

Separately, Ball spokespeople announced a NASA contract award that could be worth as much as \$600,000. Ball is one of five winning companies that will design missions to test solar-electric propulsion in space.

- NASA recently selected 11 Colorado companies to participate in a nationwide program designed to accelerate small business' commercialization of new space technologies. Technology concepts selected for the program – which currently includes 300 proposals from companies nationwide – could receive development contracts. The winning Colorado companies are: TDA Research (Wheat Ridge), Tech-X (Boulder), Numerica (Loveland), Composite Technology Development (Lafayette), Genova Engineering (Wheat Ridge), Vescent Photonics (Denver), SPEC (Boulder), ColdQuanta (Boulder), Eltron Research &

# MONTHLY ECONOMIC SUMMARY

Development (Boulder), GeoVisual Technologies (Boulder), and Colorado Power Electronics (Fort Collins).

- With budget cuts now set to occur automatically for defense and other agencies under the discretionary federal budget, some branches of the military are preparing for civilian layoffs. Air Force spokespeople say a planned two percent cut in civilian staff could mean more than 100 jobs lost in Colorado Springs, and spokespeople for Buckley Air Force Base in Aurora say the base will lose 24 positions.

Military analysts say some of the cuts so far are related to budget actions that preceded the super committee's failure and automatic sequesters, so further layoffs are possible in the coming months.

## *Aviation*

- Spokespeople for Republic Airways Holdings Inc., the parent company of Frontier Airlines, say cost-cutting efforts included in the Frontier restructuring are nearly complete. The savings measures – which included a recent 100-position staff reduction in Denver – have been successful, spokespeople say, and Frontier's return to profitability means Republic may consider selling the carrier.
- AMR Corp., the parent company for American Airlines, recently filed for Chapter 11 bankruptcy. Company spokespeople blamed volatile fuel prices and the weak economy for the filing, but they said the carrier will still take reservations and operate flights. Spokespeople for Denver International Airport say the filing has not had any impact on American Airlines' local operations.

## *Cleantech*

- Spokespeople for Denmark-based Vestas Wind Systems say the company will reduce its costs by more than \$200 million next year and will trim its workforce to help generate some of those savings. The company will have a busy 2012, spokespeople say, but officials continue to worry about weak western economies and the upcoming expiration of the federal production tax credit, which is a wind power development incentive. A recent study by IHS Emerging Energy showed the number of new wind installations could fall by as much as 85 percent if the production tax credit is allowed to expire.  
Vestas spokespeople did not indicate if or how the planned cost savings measures would affect the company's Colorado operations.
- Officials with ConocoPhillips Co. say the company has indefinitely delayed its plans for development of its global technology and corporate learning center, which would be located on the former StorageTek campus in Louisville. Conoco officials say they are still committed to the development but must reconsider project logistics now that the oil giant has split into two companies, one focused on exploration and the other on refining. Planning for the Louisville campus will not move forward until May or June of 2012, at the earliest, spokespeople say.
- Broomfield-based Range Fuels – a cellulosic ethanol producer with one manufacturing plant in Georgia – will liquidate the factory after it failed to produce a promised amount of biofuel. Spokespeople have not commented on the status of the company itself.

## *IT/Hardware*

- IT hosting provider Latisys – which has a 6.5-acre campus in the Denver Tech Center – will build a second data center on that campus, spokespeople say. The \$50 million, 82,000-square-foot center will eventually house 15 to 20 workers plus numerous computers and servers. Company spokespeople say increased demand for hosting services in Denver drove the decision to expand.
- California-based Google Inc. will grow its Boulder operations and is hiring more workers, spokespeople say. Google occupies part of a 34,000-square-foot building formerly owned by Circuit City and will now

# MONTHLY ECONOMIC SUMMARY

expand to fill the whole building. Company spokespeople did not say how many jobs will be added but said Google's Boulder headcount rose by 40 in 2011.

## *Financial Activities*

- Bank of the West will almost double the size of its small business banking team, which currently employs 63 nationwide. Bank officials say demand for small business loans is increasing, and they plan to hire 50 new small business bankers in Denver, parts of California, Oregon, Utah, and several other states.

## *Fossil Energy*

- Several fossil energy companies with exploration operations in the Niobrara shale formation say they have discovered a significant amount of oil in a portion of the formation that lies in northern Colorado. Following the discovery, officials with Anadarko Petroleum Corp. said they would invest an additional \$1 billion each year in the Wattenberg oil field, which is located north of Denver. The company plans to double its count of active Colorado rigs, and while energy experts say increased drilling activity will not support a large employment gain, they note that local governments should enjoy a boost in severance tax revenues should the oil play prove as profitable as expected.

Officials with Noble Energy Inc. also said the company would invest between \$1 billion and \$1.5 billion each year in the Wattenberg area. Noble Energy is also building a new field office in Greeley to support its increased activity in northern Colorado.

## *Other Business & Employment Headlines*

- Government officials say Metro Denver could be an ideal home for a new satellite location of the U.S. Patent and Trademark Office. Federal legislation approved in September allows the U.S. Patent Office to open at least three satellite locations over the next three years, and lawmakers hope the additional offices will speed the innovation and commercialization process for new technologies. Officials have not yet selected final locations for any of the satellite offices.
- A report commissioned by the Colorado Hospital Association suggests Colorado hospitals added almost 5,000 jobs between 2007 and 2010, a period when many of the state's other industries dramatically cut employment. Employment stability makes hospitals a critical economic engine for the state, the report suggests, and it estimates the total economic output of Colorado hospitals at \$18.8 billion in 2010.
- Spokespeople for Denver-based DaVita Inc. say the dialysis provider will open a Denver call center and will hire 200 new workers to staff the facility. A division of DaVita – DaVita Clinical Research – will operate the center, which will provide patients with dialysis placement services. Hiring for the new center should begin in early 2012, company spokespeople say.
- Spokespeople for Kansas-based outdoor goods producer Coleman Co. say the business will open a "leadership center" in Golden, where the company had a headquarters building in the mid-1990s. The leadership center will occupy that same building – a 36,500-square-foot, log cabin-style space – and will support about 40 new local jobs. As many as 30 additional staff members will relocate to Golden from Kansas, spokespeople say.
- The Arcanum Group (TAG), a Denver-based government services contractor, has won a \$34 million contract with the U.S. General Services Administration (GSA) that company spokespeople say will be used for hiring. Under the four-year contract, TAG will help the GSA identify and prepare buildings the government will lease for office space.

# MONTHLY ECONOMIC SUMMARY

- Spokespeople for Denver-based homebuilder MDC Holdings Inc. say the company has downsized its administrative staff to offset declines in home sales and prices. MDC eliminated at least 100 jobs between July and September, spokespeople say.

## Employment Outlook

About one-in-six U.S. employers that participated in the most recent Manpower Employment Outlook survey said they would hire during the fourth quarter. The share planning to hire was smaller than the share that reported hiring plans in the previous survey (20 percent), and the share planning layoffs in the fourth quarter (11 percent) was up slightly from the third quarter percentage. Most employers, however, remain focused on the status quo: nearly three-quarters of U.S. employers said they were unsure about their hiring plans or would maintain current staff levels in the last three months of 2011.

A slightly larger 77 percent of Denver-area employers that responded to the survey said they were unsure about their hiring plans or would keep staff counts unchanged during the fourth quarter. Sixteen percent said they would add jobs, and seven percent said they would eliminate positions. The share of Denver-area employers with hiring plans has fallen as low as eight percent and risen as high as 43 percent over the past decade.

### Employment Outlook Survey

	Quarter 4 2011	Quarter 3 2011	Quarter 4 2010	YTD Avg 2011	YTD Avg 2010	Ann Avg 2006
<b>Denver-Aurora-Broomfield MSA</b>						
Percent of Companies Hiring	16%	20%	10%	18%	13%	36%
Percent of Companies Laying Off	7%	6%	11%	8%	10%	7%
Percent of Companies No Change	73%	70%	75%	70%	73%	52%
Percent of Companies Unsure	4%	4%	4%	5%	5%	5%
<b>U.S.</b>						
Percent of Companies Hiring	16%	20%	15%	17%	15%	28%
Percent of Companies Laying Off	11%	8%	11%	9%	10%	8%
Percent of Companies No Change	70%	69%	71%	72%	72%	59%
Percent of Companies Unsure	3%	3%	3%	3%	3%	6%

*Note: Manpower stopped collecting data for the Boulder MSA after the second quarter of 2010.*

*Source: Manpower Inc.*

*Metro Denver's unemployment rate in October (7.6 percent) was just a fraction of a percentage point lower than the September rate. The October rate was noticeably lower, however, than the rate reported one year prior (8.4 percent) and was almost a full percentage point below the nationwide October average (8.5 percent). Colorado's unemployment rate in October (7.7 percent) was seven-tenths of a percentage point below the October 2010 average (8.4 percent).*

*The Metro Denver average weekly count of new claims for unemployment insurance filed in October was 16.3 percent lower than the year-ago average but was more than 50 percent higher than the October 2007 average, which was recorded just before the recession began. Likewise, the statewide weekly average for October 2011 was down 15.9 percent over-the-year but was almost 57 percent higher than the October 2007 average.*

# MONTHLY ECONOMIC SUMMARY

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

	Oct 2011 (p)		2011 YTD Avg		2010 YTD Avg		2006	2001
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Ann Avg Unemployment Rate	Ann Avg Unemployment Rate
Metro Denver	1,547.3	7.6%	1,521.0	8.5%	1,525.2	8.8%	4.4%	3.8%
Adams County	229.6	8.8%	226.6	10.0%	227.5	10.2%	4.9%	4.0%
Arapahoe County	314.9	7.8%	309.7	8.6%	310.5	8.8%	4.3%	3.7%
Boulder County	178.6	5.9%	173.5	6.7%	173.4	7.1%	3.8%	3.7%
Broomfield County	31.0	7.1%	30.4	7.8%	30.5	7.9%	4.4%	3.7%
Denver County	326.7	8.6%	321.7	9.5%	322.5	9.7%	4.9%	4.4%
Douglas County	161.5	6.1%	158.7	6.8%	159.2	7.1%	3.6%	3.2%
Jefferson County	305.0	7.3%	300.4	8.2%	301.7	8.6%	4.3%	3.5%
Colorado	2,727.9	7.7%	2,687.6	8.7%	2,691.9	8.9%	4.3%	3.8%
United States	154,088	8.5%	153,634	9.1%	153,981	9.7%	4.6%	4.7%

Source: Colorado Department of Labor and Employment, Labor Market Information. (p) =preliminary

## Weekly First-Time Unemployment Insurance Claims

	Month of	Month of	Month of	YTD Avg	YTD Avg	YTD Avg
	Oct-11	Sep-11	Oct-10	2011	2010	% Change
Metro Denver	1,779	1,553	2,126	1,747	2,046	-14.6%
Colorado	3,481	2,799	4,140	3,259	3,792	-14.1%

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

A survey conducted on behalf of the National Retail Federation suggests households got a very strong start on the holiday shopping season. The number of shoppers visiting brick-and-mortar or online stores between Thanksgiving and the end of the holiday weekend rose almost seven percent over-the-year, and shoppers' estimated spending rose 16.4 percent over-the-year to a record \$52.4 billion. Some analysts question whether the strong sales activity will continue given high unemployment and economic uncertainty, but the early gain is still a good sign, they say.

Data from internet commerce tracker ComScore Inc. show Cyber Monday sales rose 16.5 percent from last year's sales total and reached a record \$1.2 billion.

### Sentiment & Spending

*The Conference Board's U.S. Consumer Confidence Index rebounded sharply between October and November. Consumers' assessment of the current economic climate and their expectations for the next six months improved, although improvement for many households meant expectations for stable – not better or worsening – conditions. In fact, most households expect conditions over the next six months will remain unchanged: 70.6 percent of those surveyed in November said business conditions would remain the same, 63 percent said job availability would remain unchanged, and 71.3 percent said their incomes would stay the same.*

# MONTHLY ECONOMIC SUMMARY

The Mountain Region confidence index rose from 42.1 in October to a November reading of 51.3, which was the highest reported since August.

## Consumer Confidence Index

	Month of Nov-11 (p)	Month of Oct-11	Month of Nov-10	YTD Avg 2011	YTD Avg 2010	YTD Avg % Change	Ann Avg 2006
Mountain	51.3	42.1	67.5	57.7	55.2	4.6%	130.9
United States	56.0	40.9	57.8	57.6	53.7	7.3%	105.9

Note: The Conference Board changed its data provider for the Consumer Confidence Survey beginning in February 2011. Data previously published for November and December 2010 and January 2011 were re-estimated to ease the transition between data providers, but the rest of the historic series was left unchanged. Use caution when comparing estimates for months before November 2010 with estimates for preceding months.

Source: The Conference Board. (p) = preliminary

Official government data on retail sales during the critical month of November is not yet available. Data for the month of October show retail sales growth during the month was slightly slower than expected: total sales rose 0.5 percent from September sales, while sales in the previous month were up a stronger 1.1 percent. Excluding gasoline, October retail sales rose 0.7 percent over-the-month.

Because of a technology upgrade at the Colorado Department of Revenue, retail sales statistics for Metro Denver and Colorado are not yet available past June 2011.

Metro Denver counties have reported a variety of retail sales trends. In several counties – Arapahoe, Denver, and Jefferson – year-to-date sales growth in June was less than five percent or, in the case of Arapahoe County, slightly negative. Year-to-date sales growth in Douglas County (+18.5 percent) and Adams County (+36.5 percent) was significantly faster.

Retail trade sales for the seven Metro Denver counties combined rose 9.2 percent year-to-date in June.

## Total Retail Sales (\$000s)

	Month of Jun -11	Month of May-11	Month of Jun-10	YTD Total 2011	YTD Total 2010	YTD Total % Change	Annual Growth 2006	Annual Growth 2001
Total Metro Denver	8,606,249	6,963,682	7,489,929	42,843,925	39,248,703	9.2%	9.8%	2.5%
Adams County	1,664,378	1,513,991	1,164,064	8,642,921	6,330,191	36.5%	13.0%	3.6%
Arapahoe County	1,560,888	1,287,491	1,507,487	7,930,904	7,964,525	-0.4%	8.5%	-0.5%
Boulder County	886,073	616,894	764,455	4,135,629	3,806,841	8.6%	6.6%	1.6%
Broomfield County	149,307	121,099	135,680	767,481	730,318	5.1%	7.6%	N/A
Denver County	2,435,605	1,864,516	2,214,463	11,667,135	11,518,668	1.3%	15.5%	1.6%
Douglas County	696,169	576,171	561,772	3,531,519	2,980,855	18.5%	5.0%	16.5%
Jefferson County	1,213,829	983,520	1,142,008	6,168,336	5,917,304	4.2%	3.9%	0.2%
Colorado	14,398,491	11,484,267	12,537,051	72,025,412	65,184,670	10.5%	9.9%	2.9%

Source: Colorado Department of Revenue.

Lower oil prices were behind a 0.1 percent drop in the U.S. Consumer Price Index (CPI) between September and October. Still, the October index was 3.5 percent higher than the index level reported for October 2010, and the “core” price index – which excludes food and energy costs – was up 2.1 percent over-the-year.

More moderate oil prices also contributed to slightly lower pump prices in November. The AAA *Daily Fuel Gauge Report* shows the U.S. average price per gallon of regular gasoline in late November (\$3.30) was below the prior month’s average (\$3.44), and the November average price in Metro Denver (\$3.28) fell below the October average by a similar margin.

# MONTHLY ECONOMIC SUMMARY

## Stock Market

Stocks continue to take a volatile course – euro zone troubles pummeled markets in late November, for example, but they rebounded promptly when central banks promised to ensure global liquidity. The Dow Jones Industrial Average rose slightly (+0.8 percent) between October and November, but the NASDAQ and the S&P 500 fell 2.4 percent and 0.5 percent, respectively. The Bloomberg Colorado index rose a slight 0.1 percent between October and November.

### Stock Market Indexes

	Month of Nov-11	Month of Oct-11	Month of Nov-10	YTD Return 2011	YTD Return 2010	Ann Avg Return 2006
Bloomberg Colorado	453.8	453.3	440.7	-3.1%	36.7%	-9.2%
S&P 500	1,247.0	1,253.3	1,180.6	-0.8%	5.9%	-11.7%
NASDAQ	2,620.3	2,684.4	2,498.2	-1.2%	10.1%	-3.1%
DJIA (Dow Jones)	12,045.7	11,956.0	11,006.0	4.0%	5.5%	-13.3%

Sources: Bloomberg.com; Yahoo! Finance.

## Travel & Tourism

October was the first month of 2011 in which average Metro Denver hotel occupancy fell below the year-ago level. The October average (68.5 percent) was lower than the October 2010 average (70.2 percent), and the October 2011 average room rate was down one percent over-the-year. While slower lodging activity could be a concern, the October reading could also prove to be a temporary deviation from what has been a steady trend of improvement.

### Metro Denver Hotel Statistics

	Month of Oct-11	Month of Sep-11	Month of Oct-10	YTD Avg 2011	YTD Avg 2010	YTD Avg % Change	Annual 2006	Annual 2001
Percent of Hotel Rooms Occupied	68.5%	74.0%	70.2%	69.3%	66.7%	3.9%	66.4%	62.5%
Average Hotel Room Rate	\$114.93	\$112.34	\$116.11	\$111.24	\$108.23	2.8%	\$101.54	\$88.52

Source: Rocky Mountain Lodging Report.

Spokespeople for Denver International Airport say September passenger traffic – like traffic in August – was the highest ever reported for that month. Total airport passenger traffic through the first nine months of the year was 2.1 percent higher than the comparable traffic total for 2010.

### Denver International Airport Passengers

	Month of Sep-11	Month of Aug-10	Month of Sep-10	YTD Total 2011	YTD Total 2010	YTD Total % Change	Annual 2006	Annual 2001
Number of Airline Passengers	4,344,205	5,037,947	4,317,995	40,102,951	39,282,394	2.1%	47,326,506	36,092,806

Source: Denver International Airport, Traffic Statistics.

## Residential Real Estate

A Colorado Division of Housing summary of the Mortgage Bankers Association's quarterly National Delinquency Survey shows the nationwide "serious delinquency" rate – which counts loans at least 90 days past due or in foreclosure – was 7.89 percent in the third quarter. While the rate was higher than that reported in the second quarter, association spokespeople say the increase mainly reflected an uptick in foreclosure activity for just a few

# MONTHLY ECONOMIC SUMMARY

states. Foreclosure activity is slowing outside of these hard-hit states, they say, but the improvements are less than what they would be with a stronger job market.

Colorado's third quarter rate of serious delinquency (4.22 percent) was considerably below the national average and ranked eighth lowest among rates for the states.

## Home Resales

The National Association of Realtors (NAR) recently reported a 1.4 percent increase in U.S. existing home sales – after seasonal adjustment – between September and October. While the October sales total was up over-the-year (+13.5 percent), NAR spokespeople say sales should be stronger given high housing affordability and the rising cost of rent. Contract failures, lower loan limits for conventional mortgages, and high standards for credit are keeping many homebuyers from making a purchase, they say.

October existing home sales were higher than September sales in each U.S. region except the Northeast, where October sales were down 5.1 percent over-the-month. October sales increases in the remaining regions ranged from 2.1 percent in the South to 4.4 percent in the West.

As they typically do, Metro Denver existing home sales declined between October and November. Total Metro Denver home sales through the first 11 months of the year, however, were slightly (+1.2 percent) higher than sales reported during the same months of 2010.

A market just slightly stronger than last year's has proven too weak to encourage many homeowners to sell, however. Total unsold inventory for all of Metro Denver in November was a substantial 37 percent below the unsold inventory available at the same time in 2010. In fact, the November inventory total was the lowest reported for the month since 2000.

The anemic market has also kept home prices low. The November average sales price for detached homes across Metro Denver was two percent lower than the year-ago average, and the November average condominium price was down seven percent over-the-year.

## Previously-Owned Home Sales Activity

	Month of Nov-11	Month of Oct-11	Month of Nov-10	YTD Total 2011	YTD Total 2010	YTD Total % Change	Ann Avg 2006	Ann Avg 2001
Home Sales (Under Contract)	3,065	3,844	3,101	44,241	46,621	-5.1%	61,736	32,248
Home Sales (Closed)	3,068	3,183	2,666	36,231	35,794	1.2%	50,244	47,832
Unsold Homes on Market	12,634	14,156	19,881	12,634	19,881	-36.5%	24,534	12,382
Average Sales Price-Single Family	\$275,951	\$269,503	\$281,466	\$280,230	\$282,717	-0.9%	\$317,112	\$257,394
Average Sales Price-Condo	\$153,526	\$160,273	\$165,113	\$158,520	\$160,533	-1.3%	\$188,745	\$160,342
Median Sales Price-Single Family	\$230,300	\$226,021	\$233,990	\$229,900	\$230,250	-0.2%	\$249,900	\$213,950
Median Sales Price-Condo	\$125,000	\$125,000	\$125,000	\$125,000	\$133,000	-6.0%	\$157,000	\$141,000

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

Data from the NAR show the nationwide median home price remains under pressure: the October median (\$162,500) was down 4.7 percent over-the-year.

The NAR's metro area data set shows the nationwide median home price in the third quarter (\$169,500) was down 4.7 percent over-the-year, and the third quarter medians for the Denver-Aurora-Broomfield MSA (\$235,600) and the Boulder MSA (\$360,100) were down 1.2 percent and 0.9 percent over-the-year, respectively. Of the 150 metro areas with third quarter median price data, 39 reported an over-the-year price gain. Price

# MONTHLY ECONOMIC SUMMARY

declines for the remaining 111 metros ranged from 0.1 percent in Omaha, Nebraska to 17.7 percent in Mobile, Alabama. Two of Metro Denver's closest metro area neighbors – Phoenix and Salt Lake City – reported third quarter median prices that fell below year-ago levels by more than 15 percent.

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

	Quarter 3 2011 (p)	Quarter 2 2011 (r)	Quarter 3 2010	YTD Avg 2011	YTD Avg 2010	YTD Avg % Change	Median 2006	Median 2001
Boulder MSA	\$360.1	\$370.3	\$363.3	\$361.3	\$359.2	0.6%	\$366.4	n/a
Denver-Aurora-Broomfield MSA	\$235.6	\$232.7	\$238.5	\$230.7	\$232.7	-0.8%	\$249.5	\$218.3
United States	\$169.5	\$169.1	\$177.8	\$165.8	\$173.7	-4.5%	\$221.9	\$147.8

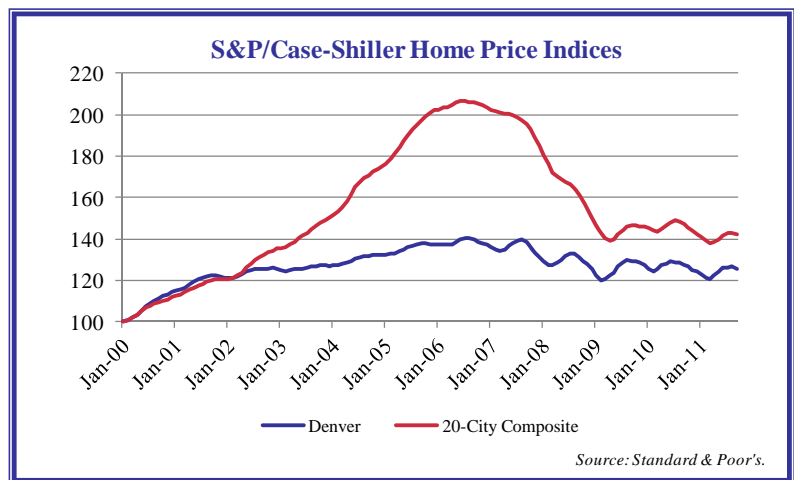
Source: National Association of REALTORS. (p) =preliminary (r) =revised

As the chart at the right shows, home prices in Denver and many other areas nationwide continue to “bounce along the bottom.” The S&P-Case-Shiller September home price index for Denver was down 1.5 percent over-the-year, although Denver's decline was the third smallest reported among the group of 20 cities. The indices for Washington, DC and Detroit were the only two of the twenty that rose over-the-year in September.

### Foreclosures

Data from RealtyTrac show the number of U.S. households that received some sort of foreclosure filing in October was seven percent higher than the number that received a filing in the previous month. Foreclosure activity is still down on an over-the-year basis, but RealtyTrac analysts say the uptick over-the-month suggests banks are moving forward with delayed filings. Foreclosure activity may not be increasing at the same rate in all states, however: RealtyTrac data show some of the sharpest increases in new defaults between September and October occurred in Florida, Pennsylvania, and Indiana.

*The count of new foreclosure filings fell between September and October in each of the seven Metro Denver counties except Adams County and the City and County of Denver, where filings increased slightly. Each county, however, reported a year-to-date filings total that was at least 25 percent lower than the comparable 2010 total. Filings reported throughout Metro Denver during the first 10 months of the year were 29.8 percent lower than filings reported for the same months of 2010.*



# MONTHLY ECONOMIC SUMMARY

## Real Estate Foreclosures

	Month of Oct-11	Month of Sep-11	Month of Oct-10	YTD Total 2011	YTD Total 2010	YTD Total % Change	Annual Total 2006
Total Metro Denver*	1,547	1,624	1,953	13,825	19,686	-29.8%	18,958
Adams County	380	352	347	2,926	4,140	-29.3%	4,330
Arapahoe County	346	356	462	3,289	4,608	-28.6%	4,719
Boulder County	83	94	122	815	1,134	-28.1%	790
Broomfield County	18	20	26	190	256	-25.8%	194
Denver County	326	313	500	2,850	4,325	-34.1%	4,696
Douglas County	153	168	191	1,436	2,072	-30.7%	1,258
Jefferson County	241	321	305	2,319	3,151	-26.4%	2,971

\*The total number of election and demand setups (initial filings) received by county public trustees. Filings may be subsequently cured or withdrawn.  
Sources: Colorado Division of Housing and county public trustees.

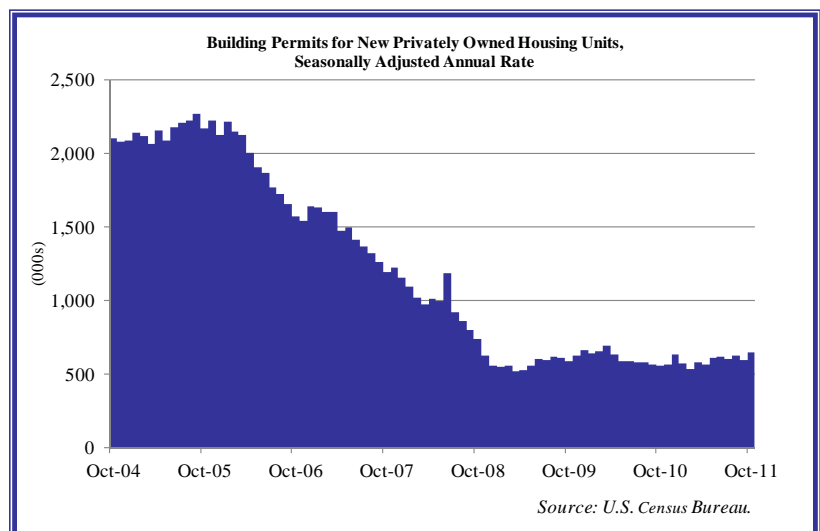
## New Homes

Census Bureau data show October new home sales activity varied considerably across the nation. October sales in the West – after adjustment for seasonal trends – were 14.9 percent higher than sales reported in September, and sales rose more than 22 percent over-the-month in the Midwest. October new home sales in the Northeast were unchanged from the September sales level, though, and sales in the South fell 9.5 percent below the September total. New home sales across all U.S. regions in October were 1.3 percent higher than the prior month’s sales total.

The National Association of Homebuilders (NAHB)/Wells Fargo Housing Market Index – which rose in October – increased again in November. The second gain brought the index to 20, a level which NAHB spokespeople say reflects a market healing in “pockets” but still far from its historic norm. Builder confidence improved in November in the Northeast, Midwest, and South, but the confidence gauge for the West declined.

Better builder confidence should ultimately equate with more home construction, but that activity may not occur in the detached homes market. Data from the Census Bureau show the total count of residential building permits issued nationwide – after seasonal adjustment – was 9.3 percent higher in October than it was in September. Two-thirds of the October gain, however, occurred throughout permits for buildings with five or more units.

The October gain was also distributed unequally across U.S. regions: a gain in the South was almost entirely responsible for the increase in permit activity nationwide, while permitting declined over-the-month in the Northeast and remained virtually flat in the West and Midwest.



*Building officials across Metro Denver issued 43 percent more permits for residential construction in October than they did in October 2010. The count of permits issued for detached homes rose 9.2 percent over-the-year in*

# MONTHLY ECONOMIC SUMMARY

October, issuance for condominiums and townhomes more than doubled, and the count of permits issued for apartment units was twice the count issued one year earlier.

## Residential Building Permits

	Month of Oct-11	Month of Sep-11	Month of Oct-10	YTD Total 2011	YTD Total 2010	YTD Total % Change	Total 2006	Total 2001
Single-Family Detached Units	260	262	238	2,942	2,889	1.8%	10,952	14,262
Single-Family Attached Units	95	120	45	724	652	11.0%	5,311	4,442
Multi-Family Units	176	135	88	1,259	1,002	25.6%	1,727	9,090
Total Units	531	517	371	4,925	4,543	8.4%	17,990	27,794

Source: Home Builders Association of Metro Denver.

## Apartment Rental Market

Data from the *Denver Metro Apartment Vacancy and Rent Survey* show the region-wide vacancy rate in the third quarter (4.9 percent) was the lowest third quarter rate reported since 2000. Vacancy rates across the seven Metro Denver counties ranged from 3.8 percent in Douglas County to 5.6 percent in Arapahoe County.

With vacancy near the lowest rates reported over the past decade, average rents are increasing. The metro-wide average monthly rent for the third quarter (\$936) was roughly 2.6 percent higher than the year-ago average, and over-the-year rent growth for the seven metro counties ranged from 0.7 percent in Douglas County to five percent in the City and County of Denver.

## Apartment Statistics

	Quarter 3 2011	Quarter 2 2011	Quarter 3 2010	YTD Average 2011	YTD Average 2010	YTD Average % Change	Annual Average 2006	Annual Average 2001
Apartment Vacancy Rate	4.9%	4.8%	5.3%	5.1%	6.0%		7.0%	6.4%
Average Monthly Rental Rate (all units)	\$936	\$915	\$913	\$921	\$897	2.7%	\$849	\$816

Source: Denver Metro Apartment Vacancy and Rent Survey.

## Commercial Real Estate

- Construction on the Denver Veterans Affairs Medical Center at the Anschutz Medical Campus in Aurora can begin now that the Department of Veterans Affairs and the project's chief contractors, Kiewit Building Group and Turner Construction, have resolved a longstanding disagreement. Economic development officials say work on the \$800 million hospital will support roughly 6,300 jobs and will be completed in 2015.
- Builders are currently working to expand Bioscience Park Center, which is part of the Fitzsimons Life Science District in Aurora. The center – which offers an incubator program for bioscience start-ups – needs more space for second-stage companies, say Fitzsimons spokespeople. Once completed, the expansion will add three stories of office and lab space.
- Builders recently broke ground on a 75,000-square-foot office building that will house almost 300 employees of Suncor Energy in Commerce City. The \$25 million project includes landscaping and road improvements and should be completed by late 2012.

# MONTHLY ECONOMIC SUMMARY

- Developers say plans for 1601 Wewatta – a mixed-use project to be located in the Central Platte Valley – are progressing. The project could include apartments, up to 450,000 square feet of office space, retail and restaurant space, and as much as 110,000 square feet of hotel space. Builders hope to time the project to coincide with FasTracks development in the area.
- Denver-based developer EFG Brownfield Partners LLC has started exclusive negotiations to purchase the former St. Anthony Central hospital facility in west Denver. Plans for the property are still evolving, but EFG spokespeople say they are considering a mixed-use model where St. Anthony can maintain some kind of medical presence.

## Market Fundamentals

*The Grubb & Ellis Denver Office Trends Report for the third quarter suggests Metro Denver’s market is in better health than many markets nationwide, but uncertainty is still slowing the pace of deals. Some of the deals commonly occurring are early lease renewals, which give landlords more long-term security on occupancy and tenants more favorable prices and terms than they might receive as the economy improves. Looking ahead, Grubb & Ellis brokers say the pace of job creation will largely determine the course of office lease rates and development activity.*

Data from CoStar Realty Information, Inc. show direct vacancy in Metro Denver’s office market ratcheted down between the second (13.2 percent) and third (13 percent) quarters. Office market lease rates – while not yet on the upswing – appeared to stabilize in the third quarter: the direct average rate per square foot (\$19.85) was roughly comparable to the average reported during second quarter.

Some of the largest Metro Denver office properties currently under construction include the DaVita headquarters in downtown Denver and two office buildings at the new St. Anthony Hospital campus in Lakewood. Office space at Fitzsimons Village in Aurora and the Red Rocks Medical Center in Jefferson County are the largest Metro Denver office projects completed so far this year.

## Office Market Statistics

	Quarter 3 2011	Quarter 2 2011	Quarter 3 2010	Quarter 3 2009	Quarter 3 2008	Quarter 3 2007
Number of Buildings	5,754	5,753	5,738	5,728	5,687	5,602
Existing Square Feet (millions)	167.8	167.8	167.3	165.8	163.3	161.6
Vacant Square Feet (direct, millions)	21.9	22.2	22.9	23.2	20.3	19.4
Vacancy Rate (direct)	13.0%	13.2%	13.7%	14.0%	12.4%	12.0%
Vacancy Rate (with sublet)	13.5%	13.8%	14.5%	15.0%	13.3%	12.6%
Avg. Lease Rate (direct, per sq. ft, full service)	\$19.85	\$19.84	\$20.14	\$20.83	\$21.80	\$20.71
New Construction Completed (year-to-date)	0.48 MSF, 10 Bldgs	0.45 MSF, 9 Bldgs	1.03 MSF, 7 Bldgs	0.93 MSF, 19 Bldgs	1.05 MSF, 44 Bldgs	1.06 MSF, 39 Bldgs
Currently Under Construction	0.91 MSF, 9 Bldgs	0.71 MSF, 8 Bldgs	0.54 MSF, 15 Bldgs	1.76 MSF, 13 Bldgs	3.41 MSF, 54 Bldgs	2.94 MSF, 74 Bldgs

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

*The Grubb & Ellis Denver Industrial Trends Report for the third quarter suggests Metro Denver’s market is somewhat bifurcated. Tenants who do not need top-quality space are still enjoying plenty of options at low lease-rates, but tenants that need large, updated properties are faced with tight supply, high prices, and steep competition. Class A rents – while on the rise – have not yet risen enough to support speculative development, but brokers say rates could spike early next year if current trends continue.*

Data from CoStar Realty Information Inc. show direct vacancy in Metro Denver’s industrial market remained at or near six percent for the first three quarters of 2011. While this stability suggests the market is holding its own,

# MONTHLY ECONOMIC SUMMARY

vacancy remains high enough to prevent improvements in lease rates. The direct average rate in the third quarter (\$4.56 per square foot) was 1.3 percent lower than the second quarter average and 3.6 percent lower than the year-ago average rate.

While some brokers say large blocks of industrial space are in increasingly short supply, the industrial construction market remains relatively dormant. About 43,000 square feet of industrial property was under construction during the third quarter, and roughly 283,000 square feet of space has been completed so far this year.

## Industrial Market Statistics

	Quarter 3 2011	Quarter 2 2011	Quarter 3 2010	Quarter 3 2009	Quarter 3 2008	Quarter 3 2007
Number of Buildings	7,094	7,092	7,090	7,086	7,070	7,018
Existing Square Feet (millions)	219.5	219.3	219.2	219.2	217.9	215.5
Vacant Square Feet (direct, millions)	13.1	13.3	12.6	14.9	13.3	12.6
Vacancy Rate (direct)	6.0%	6.1%	5.7%	6.8%	6.1%	5.8%
Vacancy Rate (with sublet)	6.1%	6.4%	6.1%	7.1%	6.5%	6.0%
Avg. Lease Rate (direct, per square foot, NNN)	\$4.56	\$4.62	\$4.73	\$4.86	\$5.15	\$4.99
New Construction Completed (year-to-date)	0.28 MSF, 4 Bldgs	0.08 MSF, 2 Bldgs	0.07 MSF, 3 Bldgs	0.23 MSF, 6 Bldgs	1.77 MSF, 33 Bldgs	1.34 MSF, 20 Bldgs
Currently Under Construction	0.04 MSF, 2 Bldgs	0.24 MSF, 4 Bldgs	0.08 MSF, 1 Bldg	0 MSF, 0 Bldgs	0.90 MSF, 11 Bldgs	1.17 MSF, 23 Bldgs

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

CoStar data show direct vacancy in Metro Denver's flex market has declined steadily throughout 2011. The third quarter direct rate (12.9 percent) was four-tenths of a percentage point below the second quarter rate and a full point below the year-ago vacancy rate. While direct average lease rates have not yet rebounded, they have remained relatively flat through much of 2011: the third quarter direct average rate (\$8.91 per square foot) was within three cents of the rates reported in each of the prior two quarters.

One Metro Denver flex property – with roughly 5,000 square feet – was under construction during the third quarter. No flex properties have been completed so far this year.

## Flex Space Statistics

	Quarter 3 2011	Quarter 2 2011	Quarter 3 2010	Quarter 3 2009	Quarter 3 2008	Quarter 3 2007
Number of Buildings	1,400	1,400	1,400	1,397	1,378	1,348
Existing Square Feet (millions)	39.3	39.3	39.3	39.2	38.4	37.6
Vacant Square Feet (direct, millions)	5.1	5.2	5.5	5.4	4.6	4.3
Vacancy Rate (direct)	12.9%	13.3%	13.9%	13.8%	12.0%	11.5%
Vacancy Rate (with sublet)	13.0%	13.5%	14.2%	14.5%	12.7%	12.3%
Avg. Lease Rate (direct, per square foot, NNN)	\$8.91	\$8.94	\$9.15	\$9.07	\$9.47	\$9.00
New Construction Completed (year-to-date)	0 MSF, 0 Bldgs	0 MSF, 0 Bldgs	0.05 MSF, 2 Bldgs	0.27 MSF, 8 Bldgs	0.59 MSF, 20 Bldgs	0.16 MSF, 8 Bldgs
Currently Under Construction	0 MSF, 1 Bldg*	0 MSF, 1 Bldg	0 MSF, 0 Bldgs	0 MSF, 0 Bldgs	0.38 MSF, 11 Bldgs	0.38 MSF, 11 Bldgs

\*Roughly 4,900 square feet of flex space was under construction as second quarter ended. This small amount of property rounds to zero when stated in millions of square feet.

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

# MONTHLY ECONOMIC SUMMARY

Third quarter was the eighth consecutive quarter in which Metro Denver's direct retail vacancy rate declined from the prior period. Data from CoStar Realty Information, Inc. show the third quarter vacancy rate (6.9 percent) was noticeably below the year-ago rate (7.6 percent) and even further below the rate reported during the third quarter of 2009 (8.3 percent). Average lease rates, however, are not as visibly improved: the third quarter direct average lease rate (\$14.62 per square foot) was 0.5 percent higher than the second quarter average but was still 2.7 percent below the year-ago average.

A King Soopers store in Adams County was the largest Metro Denver retail construction project underway during the third quarter. The IKEA store in Centennial and several stores in Lakewood's Belmar shopping district are among the largest completed so far this year.

## Retail Market Statistics

	Quarter 3 2011	Quarter 2 2011	Quarter 3 2010	Quarter 3 2009	Quarter 3 2008	Quarter 3 2007
Number of Buildings	10,373	10,370	10,356	10,326	10,202	10,017
Existing Square Feet (millions)	161.0	160.6	159.8	159.1	156.8	153.1
Vacant Square Feet (direct, millions)	11.1	11.4	12.1	13.2	11.1	10.0
Vacancy Rate (direct)	6.9%	7.1%	7.6%	8.3%	7.1%	6.6%
Vacancy Rate (with sublet)	7.1%	7.4%	7.8%	8.6%	7.3%	6.8%
Avg. Lease Rate (direct, per square foot, NNN)	\$14.62	\$14.55	\$15.02	\$16.42	\$17.23	\$16.35
New Construction Completed (year-to-date)	0.93 MSF, 11 Bldgs	0.51 MSF, 8 Bldgs	0.34 MSF, 14 Bldgs	1.58 MSF, 62 Bldgs	2.55 MSF, 73 Bldgs	1.04 MSF, 26 Bldgs
Currently Under Construction	0.16 MSF, 10 Bldgs	0.44 MSF, 7 Bldgs	0.65 MSF, 11 Bldgs	0.55 MSF, 17 Bldgs	2.94 MSF, 72 Bldgs	5.94 MSF, 127 Bldgs

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

# MONTHLY ECONOMIC SUMMARY

## Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↑	↑	Employment up 7,100 jobs Sep to Oct; YTD emp. up 0.5% through Oct 2011.
% Companies Hiring (Denver Area)	↓	↑	16% of companies expect to add workers in Q4 2011 and 73% expect no change.
Unemployment Rate	↓	↓	Metro rate 7.6% in Oct; YTD avg. rate of 8.5% down from 2010 YTD avg (8.8%)
Initial Unemployment Insurance Claims	↑	↓	Claims increased Sep to Oct; YTD claims down 14.6% through Oct 2011.
Total Retail Sales	↑	↑	Metro retail sales increased May to Jun; YTD sales up 9.2% through Jun 2011.
Consumer Confidence Index	↑	↑	Mountain Region Index up to 51.3 in Nov from 42.1 in Oct; index up 4.6% YTD thru Nov '11.
Hotel Occupancy	↓	↑	Hotel occupancy decreased from 74% in Sep to 68.5% in Oct; occupancy up 3.9% YTD.
DIA Passengers	↓	↑	Traffic decreased Aug to Sep; traffic up 2.1% YTD through Sep 2011.
Bloomberg Colorado Index	↑	↓	Bloomberg Colorado Index up 0.1% from Oct to Nov; year-to-date return at -3.1%.
Dow Jones Industrial Average	↑	↑	DOW increased 0.8% Oct to Nov; year-to-date return at 4%.
Home Sales (closed)	↓	↑	Home sales decreased from Sep to Oct; YTD sales up 1.2% through Oct.
Median Home Price (Denver-Aurora MSA)	↑	↓	Median price in Denver MSA up 1.2% Q2 '11 to Q3 '11; price down 0.8% YTD through Q3 '11
Foreclosures	↓	↓	Foreclosures decreased Sep to Oct; YTD down 29.8% through Oct 2011.
Residential Building Permits (Total)	↑	↑	Total permits increased between Sep and Oct; YTD up 8.4% through Oct 2011.
Apartment Vacancy Rate	↑	↓	Vacancy rose to 4.9% in Q3; avg rental rate at \$936 per month.
Office Vacancy Rate (with Sublet)	↓	↓	Vacancy down to 13.5% in Q3 2011 from 13.8% in Q2; avg lease rate steady at \$19.85/sq.ft.
Industrial Vacancy Rate (with Sublet)	↓	↔	Vacancy down to 6.1% in Q3 2011 from 6.4% in Q2; avg lease rate down to \$4.56/sq. ft. (NNN)
Retail Space Vacancy Rate (with Sublet)	↓	↓	Vacancy down to 7.1% in Q3 2011 from 7.4% in Q2; avg. lease rate up to \$14.62/sq. ft. (NNN)
<i>Positive Changes</i>	<b>12 of 18</b>	<b>15 of 18</b>	



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10184 West Belleview Avenue  
Suite 100  
Littleton, Colorado 80127  
[www.DevelopmentResearch.net](http://www.DevelopmentResearch.net)  
303.991.0070