



**Metro Denver**  
Economic Development Corporation

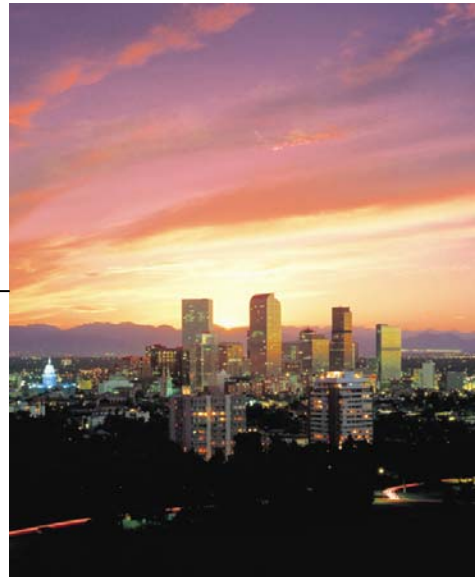
# Monthly Economic Summary

## *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

- ◆ Golden-based HealthGrades Inc. recently recognized five Colorado hospitals among a group of 269 nationwide that have demonstrated exceptional clinical performance. Presbyterian/St. Luke's Medical Center (Denver), The Medical Center of Aurora, Centura Health-Penrose Saint Francis Health Services (Colorado Springs), North Colorado Medical Center (Greeley), and Poudre Valley Hospital (Fort Collins) each received HealthGrades' 2010 Distinguished Hospital for Clinical Excellence Award. Award recipients have low mortality rates and proven success in managing patient complications.
- ◆ The February issue of *Kiplinger's Personal Finance* ranks three Colorado schools among the 100 "Best Values in Public Colleges." Criteria for the ranking included tuition costs, the average graduate debt load, and admission and retention rates. The Colorado School of Mines ranked 69th overall, while the University of Colorado at Boulder ranked 74th and Colorado State University ranked 99th.
- ◆ A recent survey of travel agents suggests Denver ranks 21st among the most popular destinations being booked for 2010. The survey – which covered more than 500 travel agents and managers employed by Minnesota-based Travel Leaders – showed Orlando and Las Vegas as the most popular destinations for 2010. Even favored destinations may welcome fewer visitors this year, however. Forty-three percent of agents surveyed said their 2010 bookings have declined from last year's levels.
- ◆ A recent report by the Brookings Institution suggests Metro Denver's 2008 poverty rate was slightly below that of many large cities. Metro Denver's 17.4 percent poverty rate was below the 18.2 percent large cities average, but the report notes that Metro Denver is still part of a nationwide trend in the "suburbanization" of poverty. In Metro Denver and other regions, the increase in suburban poverty has dramatically outpaced the increase in urban areas.

## Policy Watch

- ◆ Market analysts, banking leaders, and policymakers continue to disagree over the administration's proposed financial sector reforms. In early January, President Obama proposed a 0.15 percent tax to be levied on the liabilities of large financial institutions. Officials say the levy will help recoup an estimated \$117 billion in public losses sustained under the Troubled Asset Relief Program (TARP). In reply, bank representatives call the fees an unfair penalty for institutions, many of which did not receive or have already repaid TARP funds. Other reform proposals currently under discussion include measures that would impose borrowing limits on banks and restrict their purchases and sales of securities. The administration also hopes to bar banks from sponsoring or investing in private equity firms and hedge funds. In essence, the reforms would re-impose Depression-era banking standards instituted under the Glass-Steagall Act. Government officials could need months – at a minimum – to gain final approval for the reforms.
- ◆ While regulatory reforms have recently dominated the government's recovery efforts, funds from the 2009 economic stimulus continue to flow. In early January, the administration approved \$2.3 billion in stimulus-

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funded tax credits that officials hope will spur green jobs creation. Six Colorado companies – Abound Solar, Advanced Energy Industries, Coolerado Corp., ReflecTech, Hexcel Corp., and Vestas – were among more than 180 renewable energy businesses nationwide that received the awards. The six companies will receive a combined \$75.2 million.

In addition to tax credits for some renewable energy companies, Colorado will also receive roughly \$6 million in stimulus dollars from the U.S. Department of Labor for job training in renewable energy and other emerging industries. Also, two consortiums with Colorado members are scheduled to receive \$78 million in stimulus grants for the development of biofuels. Solix Biofuels and Colorado State University are part of a group that will explore algae-to-oil technology, and the National Renewable Energy Laboratory is part of a group that will research infrastructure compatible with biofuels.

- ◆ Various reports show federal stimulus dollars helped save or create between 7,200 and 9,400 Colorado jobs in the fourth quarter of 2009. The reports – based on Federal data – suggest a majority of the jobs saved were in higher education, corrections, and other areas where stimulus dollars helped backfill agency budgets.
- ◆ Colorado lawmakers and business leaders continue to debate the proposed suspension of several business-focused tax exemptions that – by some estimates – would close roughly 10 percent of the state’s current revenue shortfall. Businesses say the cuts would effectively stall a recovery and would force them to freeze hiring and pay. In reply, some lawmakers say a decision to maintain the exemptions would force additional budget cuts for public education. As of February 1, eight of the proposed exemptions had advanced from the House to the Senate and several other were still under discussion.
- ◆ In early January, officials with the Colorado Department of Labor and Employment said the state would join 25 others that are currently borrowing federal funds to keep state unemployment insurance systems solvent. Stimulus provisions instituted in 2009 allow states to borrow interest-free federal funds for unemployment insurance through 2010. Colorado officials – who last borrowed funds for unemployment insurance in the 1980s – say unemployment insurance claims have grown in both number and size. Because the Department of Labor will need to repay the federal loans and replenish the unemployment insurance fund, unemployment insurance rates charged to businesses may increase in the coming years.
- ◆ The Colorado Department of Transportation will receive \$1.4 million in federal stimulus grants to examine the feasibility of a high-speed rail line. The Department will use the funding to study ways an inter-city, high-speed line could connect to Metro Denver’s FasTracks network. Transportation officials will also develop a State Rail Plan, which is required of states designated by the federal government as high-speed rail corridors. These corridors can be eligible for federal funding.

## General Economic Overview

The U.S. trade deficit rose in November as a 2.6 percent gain in imports outweighed a smaller increase in exports. Thanks to signs of an improving economy and a slightly higher oil price, November imports of goods and services rose to the highest level reported in nearly a year. November exports also rose to the highest level reported over the past twelve months, and analysts expect a weak dollar to support continued export growth.

Positive export trends were one factor in the fourth quarter’s larger-than-expected increase in real gross domestic product (GDP), although a shift in business’ inventory strategy accounted for almost 60 percent of the increase. According to an advance – or preliminary – estimate from the U.S. Bureau of Economic Analysis (BEA), the nation’s real GDP increased 5.7 percent between the third and fourth quarters of 2009. The gain represented a significant quickening from third quarter’s 2.2 percent growth pace and was the fastest GDP growth reported for a quarter since late 2003. Slower inventory reductions had a strong positive influence on fourth quarter GDP because inventory cutbacks effectively slow production and – by extension – reduce the nation’s economic output. Increased business spending on equipment and software also contributed to fourth quarter GDP growth,

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although business spending on real estate continues to fall. On the downside, fourth quarter growth in household spending slowed after consumer-oriented stimulus programs ended, and growth in spending on residential real estate also slowed considerably between the third and fourth quarters.

While the overall GDP data suggest the U.S. economy is gaining enough momentum to support itself as stimulus is withdrawn, questions about household spending and real estate markets still loom large. The Federal Open Market Committee of the Federal Reserve recently released a cautiously optimistic statement on the nation's economy that reflects a delicate and somewhat conflicted recovery. According to minutes from the Committee's January meeting, committee members are encouraged by business spending, household spending, and manufacturing trends. At the same time, committee members acknowledge that weak labor markets and employers' unwillingness to hire are major deterrents to growth. Given these conflicting factors, the Committee voted to keep its target federal funds rate between zero and 0.25 percent. While the Federal Reserve awaits more solid signs of improvement, it will proceed with plans to deconstruct its massive liquidity program. A key program backing the mortgage market is still scheduled to end in March, and a program backing commercial mortgage-backed securities will end in June.

As government stimulus is gradually withdrawn, the availability of private capital will be increasingly critical for business growth. While 2009 was – not surprisingly – a weak year for venture capital investment, many analysts expect 2010 will bring better investment trends for businesses in clean technology, biotechnology, and other emerging sectors. Data from PricewaterhouseCoopers and the National Venture Capital Association show venture capital investments in U.S. companies fell 37 percent between 2008 and 2009. Total investments in 2009 of \$17.7 billion marked the lowest level in more than a decade, and investments in the 19 regions tracked in the PricewaterhouseCoopers data fell over-the-year by anywhere from 19 to 80 percent.

In Colorado, total 2009 investments (\$528.8 million) fell 37 percent from 2008. Still, the 2009 investment total came within six percent of the total investments reported in 2007 thanks to improved fourth quarter investment activity and several major deals closed by biotech startup Clovis Oncology Inc.

## Economic Indexes

### *National Economy*

- ◆ The Conference Board's Leading Economic Index rose for the ninth consecutive month in December. The index's six-month growth rate strengthened slightly in December and positive trends for the individual indicators were widespread. Generally, these results suggest the nation's economic recovery should gain momentum in the coming months.
- ◆ The Institute for Supply Management's Purchasing Managers Index suggests the nation's manufacturing economy grew in December for the fifth consecutive month. Inventory rebuilding continues to support manufacturing activity, and survey respondents – while still concerned about limited capital availability – generally viewed business conditions as strong.
- ◆ The Institute for Supply Management's Non-Manufacturing Index rose above growth neutral in December after contracting in November. The continued fragility of the household sector and consumer buying habits is clearly weighing on service sector businesses, although some respondents to the December survey were cautiously optimistic about near-term sales trends.

### *Local Economy*

- ◆ The University of Colorado's Leeds Business Confidence Index registered below growth neutral for the first quarter of 2010. The index has now fallen below a level consistent with growth for ten consecutive quarters, and Colorado business leaders gave a poor outlook for hiring and capital expenditures over the next three

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months. Still, the confidence survey suggests business leaders are somewhat more optimistic about Colorado's economy than they are about the national economic outlook.

- ◆ The Vectra Bank Colorado Small Business Index rose from a revised 73.1 in November to 75.4 in December. Analysts say marginally better workforce trends and an improving regional economy were behind December's gain.
- ◆ The Goss Institute's Mountain States Business Conditions Index registered above growth neutral for the fourth consecutive month in January. Recent index readings suggest economic conditions in Wyoming, Utah, and Colorado are improving as businesses rebuild inventories and slow the pace of layoffs.

## Labor Force and Employment

*Metro Denver employers cut more than 4,000 jobs in December, a month in which the region's employers typically add several thousand jobs.* Weak holiday hiring was arguably one of the greatest influences on the December employment data, which showed job losses in natural resources and construction, manufacturing, professional and business services, education and health services, and government.

*Data for 2009 are subject to a benchmark revision, but preliminary figures suggest Metro Denver employment for all twelve months of the year fell 3.8 percent from employment in 2008.* Put another way, Metro Denver job cuts in 2009 approached 55,000, or a total just 7,000 shy of the total jobs cut in 2002 and 2003.

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

	Month of Dec-09 (p)	Month of Nov-09	Month of Dec-08	Year-to- Date Average 2009	Year-to- Date Average 2008	Year-to- Date Average % Change	Annual Growth Rate 2004	Annual Growth Rate 1999
<b>Total 11-County Metro Denver*</b>	1,358.1	1,362.4	1,404.5	1,365.1	1,419.6	-3.8%	0.8%	4.0%
Denver-Aurora MSA	1,196.5	1,200.7	1,236.2	1,203.2	1,251.0	-3.8%	0.8%	3.9%
Boulder-Longmont MSA	161.6	161.7	168.3	161.9	168.7	-4.0%	0.9%	4.4%
Natural Resources & Construction	77.4	80.1	90.7	83.5	97.4	-14.3%	-0.7%	10.4%
Manufacturing	79.5	79.7	85.8	81.7	87.6	-6.7%	-0.4%	-1.5%
Wholesale & Retail Trade	205.9	205.4	218.1	204.2	216.1	-5.5%	-0.1%	3.2%
Transp., Warehousing & Utilities	49.7	49.1	52.3	50.1	52.4	-4.4%	0.5%	6.1%
Information	53.8	53.8	56.1	54.6	57.5	-5.0%	-5.4%	11.7%
Financial Activities	100.5	99.5	103.2	100.3	104.9	-4.4%	-0.1%	3.8%
Professional & Business Services	227.8	229.6	238.4	230.1	244.9	-6.0%	3.5%	5.9%
Education & Health Services	160.0	160.1	156.2	157.6	153.1	2.9%	3.2%	1.3%
Leisure & Hospitality	139.9	139.0	141.6	142.8	147.6	-3.3%	2.6%	4.6%
Other Services	52.2	52.2	54.0	52.6	53.9	-2.3%	1.7%	1.9%
Government	211.4	213.9	208.1	207.5	204.2	1.6%	-0.2%	1.4%
Federal Gov't	30.1	30.4	30.5	30.4	30.4	0.1%	-1.6%	-1.5%
State & Local Gov't	181.3	183.5	177.6	177.1	173.8	1.9%	0.1%	2.1%
Colorado	2,249.0	2,246.5	2,336.7	2,260.0	2,349.3	-3.8%	1.2%	3.6%
United States	131,821	132,227	135,917	131,997	137,066	-3.7%	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

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## *Metro Denver Industry Cluster Headlines*

**Aerospace:** Westminster will be home to a new data center for the Information Technology division of defense contractor General Dynamics Corp. Up to 100 employees at the data center will work to support a General Dynamics contract with the U.S. Department of Homeland Security's U.S. Citizenship and Immigration Services division.

A second defense contractor is also transitioning. Los Angeles-based Northrop Grumman Corp. will relocate its headquarters to Washington, DC by mid-2011. Spokespeople say the company – which has roughly 2,700 employees in Aurora and Colorado Springs – will benefit from closer proximity to key contracting entities. Some Northrop Grumman workers in Los Angeles and other locations are expected to relocate, but spokespeople did not indicate whether or not Colorado jobs would be affected.

Another aerospace contractor with a significant Metro Denver presence, Lockheed Martin, recently announced the cancellation of a key project. The administration's newest budget no longer includes funds for the Orion space vehicle, which was under construction as part of a 2006 contract led by Jefferson County-based Lockheed Martin Space Systems. Lockheed officials did not release details on how the Orion cancellation – which was to be worth \$8 billion – would affect local employment and operations.

**Aviation:** The leadership and corporate structure of Frontier Airlines continues to change under the ownership of Republic Airways Holdings. Sean Menke, the former president of Frontier, recently resigned his position as Republic Airways' Executive Vice President and Chief Marketing Officer. Separately, Republic spokespeople announced that all executive management positions would be consolidated in the company's Indianapolis headquarters. While Metro Denver has technically lost Frontier as a headquarters operation, airline analysts emphasize that the Frontier hub – a key driver for the region's economy – remains intact.

Dallas-based Southwest Airlines is continuing with previously announced plans to add flights from Denver in 2010. Spokespeople for the carrier say existing Denver routes to Boise, Houston, Fort Lauderdale, and Ontario, California will receive additional departures. Southwest's continued Denver expansion and its competition with United Airlines and Frontier Airlines are key factors behind competitive fares at Denver International Airport (DIA), according to aviation analysts. Data recently released by the U.S. Bureau of Transportation Statistics show the average domestic airfare at DIA fell almost 35 percent between the third quarters of 2000 and 2009. With that percentage, DIA ranked third among the nation's 100 busiest airports for largest decline in domestic fares.

Denver's airport is also gaining recognition for its efforts towards greater sustainability. Two companies – Connecticut-based Propark America and Vancouver-based Greenscape Capital Group Inc. – recently revealed plans for a sustainably designed parking garage at DIA. The garage will be located at 8100 Tower Road in Commerce City and will offer covered and uncovered outdoor parking plus climate-controlled indoor parking and charging stations for electric cars. An on-site wind and solar farm will generate energy for the facility, which will charge parking rates starting at \$8.95 per day. Officials say the project will break ground this spring and should be completed by fall.

In other aviation headlines, spokespeople for United Parcel Service Inc. said nationwide job cuts would affect an undisclosed number of workers in Colorado. The company is downsizing its domestic structure and will reduce its number of operating regions and districts. Company spokespeople say some of the 1,800 layoffs will be accomplished through attrition, and roughly 1,100 employees will receive a voluntary severance offer.

**Bioscience:** The Lakewood-based U.S. division of Swedish medical device manufacturer Gambro AB recently acquired CHF Solutions Inc. The announcement is one more in a series of recent changes to Gambro's corporate structure. In 2008, for example, the company's blood component technology (BCT) division spun off to create CaridianBCT, which currently employs 1,800 workers at its Lakewood headquarters. Gambro spokespeople say workers from Minneapolis-based CHF will not relocate to Lakewood.

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**Energy:** Houston-based fossil energy producer Endeavour International Corp. recently announced plans to open a Denver office. Company spokespeople say Colorado is a strategic location for the exploration and development of unconventional hydrocarbons including shale gas.

A second fossil energy company with Colorado ties is also shifting its focus toward unconventional resources. Suncor Energy Inc. – a Canadian fossil energy producer with its U.S. division headquarters in Greenwood Village – plans to sell its natural gas assets in Colorado and the Rocky Mountains to Houston-based Noble Energy Inc. Suncor spokespeople say the company hopes to focus entirely on oil sands development and will use the Noble Energy sale as a first step in the divestiture of its natural gas holdings.

While Colorado is widely viewed as a key location for various sources of fossil energy, some analysts say the energy recovery is proceeding more slowly here than elsewhere. Data from the Colorado Oil and Gas Conservation Commission show businesses operating in the state pulled roughly 5,160 drilling permits in 2009, compared to nearly 8,030 permits pulled when the market peaked in 2008. Colorado's 2009 permit count was higher than counts in Wyoming, Kansas, Oklahoma, Utah, and New Mexico, but officials say drilling activity in the eastern U.S. is accelerating more quickly than it is in Colorado and other states in the nation's midsection.

While recovery for the fossil energy sector continues to develop, renewable energy companies are also reporting increased business. RePower Systems AG – a German turbine manufacturer with its U.S. division headquarters in Denver – recently announced a major order. The company will produce 20 turbines for a community-owned wind project to be installed in rural Minnesota. Company spokespeople say this and other recent orders suggest the U.S. market for wind energy is slowly improving.

A recent order announced by Vestas Wind Systems also points to improving conditions in the market for wind energy. Vestas spokespeople say the company will manufacture 18 turbines for Canada's TransAlta Corp., which will use the turbines to expand an existing wind farm in New Brunswick. Vestas spokespeople say the turbines will be manufactured overseas and will not affect plans for a temporary slowdown at the company's Windsor plant. Still, they say Vestas' four Colorado locations should reach full capacity by the end of next year.

In a final company announcement, spokespeople for San Francisco-based URS Corp. say the company will relocate a division focused on energy and construction to Metro Denver by the end of 2010. The 500-person division is currently based in Boise, Idaho, and URS spokespeople say an undetermined number of employees will move. The company has not yet disclosed a specific location for its Metro Denver operations.

**Financial Services:** Online investment company Scottrade recently announced plans to expand its operations with a new facility in Westminster. The new building – which represented the largest office transaction closed in Metro Denver in the fourth quarter – will house 285 new employees over the next five years and will act as a secondary business operations center. Scottrade spokespeople say a small number of employees will relocate to Westminster from the company's St. Louis headquarters and the rest of the employees will be hired locally.

**IT/Software:** Software and technical services provider Ciber Inc. is part of a team recently selected by NASA to provide services at the Marshall Space Flight Center in Huntsville, Alabama. Ciber spokespeople say the Greenwood Village-based company will receive \$26 million in revenue from the five-year contract.

The software community is also occupied with the finalization of a merger between Oracle Corp. and Sun Microsystems. The European Union (EU) recently issued a long-awaited approval for the deal, which the U.S. Department of Justice previously approved. Oracle's purchase of Sun closed in late January, and Oracle spokespeople say they will use the acquisition to move from a sales model based on separate, assembly-required components to one where customers receive fully assembled and integrated systems. The job impacts of the acquisition remain unclear, although spokespeople say they could hire roughly 2,000 new sales personnel and may lay off at least 1,000 other employees.

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In other information technology headlines, spokespeople for Seattle-based Mywedding.com said the company will relocate its corporate headquarters to Metro Denver. Spokespeople say the company – an online wedding planner that offers local guides, planning tools, and links to other resources – will open its headquarters in Castle Rock and will move 20 jobs to the new location.

**Telecommunications:** Spokespeople for Time Warner Cable say the company will lay off 30 percent of its Colorado workforce as it realigns its regional operations. A Centennial call center and the company’s National Systems headquarters will close, affecting roughly 350 employees. Spokespeople emphasize, however, that the company’s other operations in Centennial will continue and Time Warner will still employ 800 Colorado workers following the layoffs. Eligible workers affected by the layoffs will receive severance, and spokespeople say the company will also host on-site job fairs to help ease the transition.

## Employment Outlook

Results from the Manpower Employment Outlook Survey suggest 12 percent of U.S. businesses will add jobs in the first quarter. The percentage planning to add staff was unchanged from the fourth quarter of 2009 but was down from the year-ago survey, which showed 16 percent of employers planning to add jobs. Nearly three-quarters of U.S. employers are planning no staffing changes through March, which suggests many businesses are taking a wait-and-see approach towards growth in the recovery.

Employers in the Denver-Aurora-Broomfield MSA had a slightly more pessimistic response to the first quarter survey. While the percentage of local employers planning layoffs was essentially equal to the percentage reported nationwide, fewer employers in the Denver area reported plans to hire. Just eight percent of employers in the Denver MSA said they would add jobs in the first quarter, compared to 15 percent of employers in the year-ago survey. In Boulder, a larger 15 percent of employers planned to add positions, although a majority – 70 percent – said their staff levels would not change.

### Employment Outlook Survey

	Quarter 1 2010	Quarter 4 2009	Quarter 1 2009	YTD Avg 2010	YTD Avg 2009	Ann Avg 2005
<b>Denver-Aurora MSA</b>						
Percent of Companies Hiring	8%	9%	15%	8%	15%	29%
Percent of Companies Laying Off	11%	11%	12%	11%	12%	7%
Percent of Companies No Change	75%	77%	70%	75%	70%	61%
Percent of Companies Unsure	6%	3%	3%	6%	3%	3%
<b>Boulder MSA</b>						
Percent of Companies Hiring	15%	12%	18%	15%	18%	29%
Percent of Companies Laying Off	11%	17%	13%	11%	13%	8%
Percent of Companies No Change	70%	68%	65%	70%	65%	58%
Percent of Companies Unsure	4%	3%	4%	4%	4%	6%

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

*Source: Manpower Inc.*

*Metro Denver’s unemployment rate rose from 6.7 percent in November to 7.3 percent in December as the count of the unemployed rose considerably. While year-end layoffs and weak holiday hiring trends were factors behind December’s higher unemployment rate, the notion of an improving economy and slightly better job prospects may also be drawing more job seekers back into the labor force.*

Like the Metro Denver unemployment rate, Colorado’s unemployment rate rose from 6.7 percent in November to 7.3 percent in December, and the nationwide unemployment rate rose from 9.4 percent to 9.7 percent.

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

	Dec 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	1,498.3	7.3%	1,524.0	7.3%	1,546.6	4.9%	5.8%	2.4%
Adams County	221.5	8.8%	224.7	8.6%	226.3	5.5%	6.5%	2.7%
Arapahoe County	303.7	7.2%	309.2	7.3%	314.1	5.0%	5.7%	2.1%
Boulder County	172.3	5.7%	175.3	5.9%	179.2	4.2%	4.9%	2.6%
Broomfield County*	29.8	6.7%	30.3	6.9%	30.8	4.6%	5.8%	
Denver County	316.0	8.3%	321.0	8.2%	324.7	5.5%	6.6%	3.1%
Douglas County	153.2	5.9%	156.3	6.2%	159.4	4.2%	4.7%	1.4%
Jefferson County	301.8	7.0%	307.2	7.1%	312.0	4.7%	5.4%	2.2%
Colorado	2,649.9	7.3%	2,698.2	7.3%	2,730.4	4.9%	5.6%	2.9%
United States	152,693	9.7%	154,142	9.3%	154,287	5.8%	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 average weekly count of unemployment insurance claims in Metro Denver fell between November and December. The decline – which also occurred statewide – was roughly consistent with seasonal norms, although higher claim levels throughout 2009 left the annual average weekly count of claims more than 46 percent above the average for 2008. Statewide, the 2009 annual average weekly count of claims rose nearly 53 percent from the 2008 average.

## Weekly First-Time Unemployment Insurance Claims

	Month of	Month of	Month of	YTD Avg	YTD Avg	YTD Avg
	Dec-09	Nov-09	Dec-08	2009	2008	% Change
Metro Denver	2,465	2,882	3,074	2,541	1,738	46.2%
Colorado	5,102	5,541	6,080	4,752	3,112	52.7%

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

While reports on total holiday sales suggest the 2009 season was marginally stronger than the 2008 season, data from the U.S. Department of Commerce show nationwide retail sales fell unexpectedly between November and December. The decline followed two consecutive months of increases that had buoyed hopes for a retail sales recovery. Total 2009 sales fell six percent from sales in 2008. Annual sales declines in automobiles and gasoline, furniture and home furnishings, and building materials were even larger and ranged from 11 to 24 percent. Still, many analysts expect a gradually improving economy will lead to better retail sales trends in the coming months.

The return to retail health, however, will take time and could exact a further toll on businesses. Metro Denver shoppers now have fewer appliance options following the January closure of Colorado's Appliance World stores. The retailer's parent company filed for Chapter 11 bankruptcy in late 2009. Appliance World stores in Denver, Littleton, Highlands Ranch, Arvada, Aurora, and Colorado Springs are now closed.

Metro Denver lost additional retail jobs with the January closure of the Louisville Sam's Club store. Spokespeople for Wal-Mart Stores Inc. say the Louisville location and nine other underperforming stores

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nationwide were closed to help improve the performance of the Sam's Club brand. Separately, spokespeople also announced a nationwide layoff that will affect more than 11,000 Sam's Club employees who focus on member recruitment and in-store product demonstrations. Estimates of the local impact of these layoffs were not readily available, although some sources say layoffs could affect roughly 20 positions per Sam's Club store.

Uncertainty in the retail business community directly reflects the uncertain consumer. The Conference Board's most recent Consumer Confidence Survey shows the share of consumers expecting near-term business conditions to worsen increased between December and January, and the share expecting more plentiful jobs declined. While these shifts suggest consumer's short-term outlook remains relatively tepid, *a better consumer assessment of present economic conditions helped the overall Consumer Confidence Index increase in January. The Mountain Region index also rose in January and suggested that local consumer sentiment – while low by historical standards – has improved greatly from consumer confidence measured at the same time last year.*

## Consumer Confidence Index

	Month of Jan-10 (p)	Month of Dec-09	Month of Jan-09	YTD Avg 2010	YTD Avg 2009	YTD Avg % Change	Ann Avg 2005
Mountain	61.2	52.6	44.0	61.2	44.0	39.1%	120.3
United States	55.9	53.6	37.4	55.9	37.4	49.5%	100.3

Source: The Conference Board. (p) =preliminary

*The decline in Metro Denver retail sales between September and October was roughly consistent with seasonal norms, although October sales fell 13.5 percent from the year-ago level.* Sales in each of the seven Metro Denver counties fell on a year-to-date basis in October with declines ranging from 8.2 percent in Douglas County to 19.9 percent in Adams County. Statewide, retail sales through the first 10 months of the year fell 14 percent from sales in the same months of 2008.

## Total Retail Sales (\$000s)

	Month of Oct-09	Month of Sep-09	Month of Oct-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual Growth 2004	Annual Growth 1999
Total Metro Denver	6,122,702	6,999,334	7,076,974	63,004,527	73,226,126	-14.0%	7.4%	7.0%
Adams County	1,049,571	1,130,634	1,281,283	10,552,962	13,171,885	-19.9%	11.7%	10.5%
Arapahoe County	1,240,186	1,433,046	1,416,543	12,675,108	14,249,581	-11.0%	2.6%	10.2%
Boulder County	549,214	712,104	600,760	6,070,143	6,731,980	-9.8%	2.1%	4.1%
Broomfield County	110,040	121,233	120,001	1,171,258	1,289,286	-9.2%	49.4%	
Denver County	1,802,538	2,010,246	2,166,118	18,316,535	21,749,649	-15.8%	8.1%	2.2%
Douglas County	457,233	544,823	505,260	4,784,970	5,212,574	-8.2%	16.9%	18.3%
Jefferson County	913,920	1,047,248	987,009	9,433,552	10,821,171	-12.8%	3.8%	7.3%
Colorado	10,062,846	11,632,831	11,676,049	105,943,254	123,180,070	-14.0%	7.8%	7.4%

Source: Colorado Department of Revenue.

Largely thanks to an historic contraction in consumer demand, the U.S. Consumer Price Index (CPI) fell 0.4 percent between 2008 and 2009. Data from the U.S. Bureau of Labor Statistics show the decline was the first of its kind since 1955, but the shift looks considerably different when data are adjusted to exclude volatile prices for food and energy. The 2009 measure of core inflation – or CPI less prices for food and energy – rose 1.7 percent from 2008. The increase in core inflation was the smallest recorded in five years and reflected an economy performing considerably below potential, but the comparative stability of the core index suggests deflation was not the risk in 2009 that some economists feared.

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Because oil prices have such a significant influence on prices for goods in general, the CPI could rise in the coming months. Data from the U.S. Department of Commerce show oil demand still weak as November oil imports reached their lowest level in more than a decade. Despite lower demand, gasoline prices have been slowly rising. The upward price trend also flies in the face of an ongoing supply glut, although some analysts say refinery cutbacks made in response to the market's oversupply are one factor driving prices higher. Many analysts agree, though, that speculation is heavily influencing the upward trend. Some analysts caution that gasoline prices could approach \$3 this year as normal seasonal increases still lie ahead. Refineries temporarily reduce capacity, for example, when they switch from winter to summer formulations for gasoline. That reduced capacity, in turn, forces prices higher as the summer driving season begins. Estimates from the U.S. Energy Information Administration suggest that higher gasoline prices this year could increase the average consumer's fuel spending by \$25 or more per month.

As January ended, motorists were already spending slightly more on gasoline. According to the AAA *Daily Fuel Gauge Report*, the national average price per gallon of regular gasoline was \$2.69 as January ended, and that price was roughly seven cents per gallon higher than the prior month's average. In Metro Denver, the comparable average price in January was \$2.50, and the average was up roughly 12 cents per gallon from the prior month's reading.

*A December decline in hotel occupancy was consistent with seasonal norms for Metro Denver, although the region's December occupancy rate was slightly below the year-ago level.* The Metro Denver occupancy rate for all twelve months of 2009 averaged 59 percent in a six percentage-point decline from the 2008 rate. *Thanks to lower occupancy levels, the twelve-month average room rate for 2009 fell 9.7 percent from the 2008 average.*

Although overall tourism trends are expected to improve this year, many travel industry analysts remain pessimistic in their outlooks for business travel. In many cases, cost-conscious and technology-savvy businesses have made dramatic – and permanent – reductions in the frequency and duration of business trips.

Leisure travel trends, however, are already showing signs of modest improvement. Colorado Ski Country USA, for example, recently announced that skier visits to member resorts between the start of the season and December 31 rose one percent from the same period in 2008. Total visit counts remain below prior years' levels, but industry analysts say the current ski season has a good start.

## Metro Denver Hotel Statistics

	Month of Dec-09	Month of Nov-09	Month of Dec-08	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change	Annual 2004	Annual 1999
Percent of Hotel Rooms Occupied	41.9%	53.1%	42.8%	59.0%	65.0%	-9.2%	61.9%	67.2%
Average Hotel Room Rate	\$93.23	\$106.26	\$98.91	\$106.85	\$118.27	-9.7%	\$84.42	\$87.36

Source: Rocky Mountain Lodging Report.

*A decrease in Denver International Airport passenger traffic between November and October was consistent with seasonal trends, but November's total traffic rose 1.3 percent from the year-ago level.* On a year-to-date basis, passenger traffic fell 2.1 percent through November.

## Denver International Airport Passengers

	Month of Nov-09	Month of Oct-09	Month of Nov-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual 2004	Annual 1999
Number of Airline Passengers	3,727,828	4,101,004	3,679,286	46,164,063	47,172,088	-2.1%	42,275,913	38,034,017

Source: Denver International Airport, Traffic Statistics.

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Uncertainty in the political and regulatory environment – coupled with mixed readings on the nation’s economic health – took a toll on stocks in January. All three major national indexes posted negative year-to-date returns as the month ended, and the NASDAQ recorded the largest loss (-5.4 percent). While somewhat stronger than the national indexes, the Bloomberg Colorado Index also posted a negative annual return (-2.9 percent) as January ended.

## Stock Market Indexes

	Month of Jan-10	Month of Dec-09	Month of Jan-09	YTD Return 2010	YTD Return 2009	Ann Avg Return 2005
Bloomberg Colorado	313.2	322.4	210.4	-2.9%	-4.6%	16.9%
S&P 500	1,073.9	1,115.1	825.9	-3.7%	-8.6%	3.0%
NASDAQ	2,147.4	2,269.2	1,476.4	-5.4%	-6.4%	1.4%
DJIA (Dow Jones)	10,067.3	10,428.1	8,000.9	-3.5%	-8.8%	-0.6%

Sources: Bloomberg.com, Yahoo! Finance.

## Residential Real Estate

Some homebuilders say the first-time homebuyers’ tax credit and a general shift in buyer priorities have prompted a change in the face of new construction. KB Home, for example, recently unveiled a new home concept in Stapleton that caters to buyers looking for a downsized, more flexible space at a more affordable price. Buyer interest in the homes has allowed the builder to stop cutting prices, representatives say.

While encouraging signs are emerging in the markets for new and existing homes, the housing recovery is also suffering new setbacks. The Federal Housing Administration (FHA) – an increasingly popular lender that makes loans available with reduced down payments – recently unveiled stricter lending guidelines. Spokespeople say loan losses have driven the FHA’s reserves below required limits, and more restrictive policies are necessary to help the lender recover. Beginning this spring, the upfront mortgage insurance premium charged on FHA loans will increase from 1.75 percent to 2.25 percent of the loan amount. Buyers’ monthly payments for mortgage insurance could also increase if Congress grants the FHA an increase on its maximum allowable insurance premium. The FHA will also increase the required down payment amount from 3.5 percent to 10 percent for buyers with credit scores below 580, and allowable seller concessions – a means many lenders use to effectively finance a buyer’s closing costs – have been reduced from six percent to three percent. FHA officials also plan to monitor lenders more carefully and may use the agency’s web site to report on lenders’ performance and compliance with program standards.

## Home Resales

Analysts say a decline in existing home sales between November and December was expected given the expiration of the original first-time homebuyers’ tax credit. *Data from the National Association of Realtors show nationwide sales fell 16.7 percent between November and December, but December sales were still 15 percent higher than sales reported in December 2008. Total 2009 home sales rose nearly five percent from 2008 sales in the first annual gain reported since 2005, and analysts expect the extended and expanded homebuyers’ credit to boost sales again in late spring.* After the credit expires, the pace of job growth could be the single-largest factor influencing the direction of home sales trends through the end of the year. In December, existing home sales rose the most over-the-year in the Northeast (+21.3 percent), followed by sales in the South (+15.5 percent), the West (+15 percent), and the Midwest (+8.5 percent).

*Like home sales in other regions nationwide, existing home sales in Metro Denver slowed as 2009 ended. The region’s December sales fell 17.8 percent from November, and December sales also fell below the year-ago sales total. Metro Denver’s total 2009 home sales fell 12.1 percent from 2008 and reached the lowest level reported*

# MONTHLY ECONOMIC SUMMARY

since 1997. Still, home price data show Metro Denver's housing market has made considerably better progress through the correction than other markets nationwide. The Metro Denver median sales price for single-family homes increased from the prior year for the seventh consecutive month in December, and the median condominium price rose for the fifth consecutive month.

## Previously-Owned Home Sales Activity

	Month of Dec-09	Month of Nov-09	Month of Dec-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Ann Avg 2004	Ann Avg 1999
Home Sales (Under Contract)	3,028	3,444	3,286	56,174	62,647	-10.3%	66,196	38,248
Home Sales (Closed)	2,959	3,599	3,234	42,070	47,837	-12.1%	54,012	46,742
Unsold Homes on Market	16,456	18,061	19,600	16,456	19,600	-16.0%	23,267	9,350
Average Sales Price-Single Family	\$281,756	\$265,498	\$240,945	\$264,803	\$270,261	-2.0%	\$289,803	\$208,274
Average Sales Price-Condo	\$160,399	\$152,409	\$162,770	\$159,628	\$171,350	-6.8%	\$180,986	\$122,562
Median Sales Price-Single Family	\$221,000	\$218,000	\$196,000	\$219,000	\$219,900	-0.4%	\$236,240	
Median Sales Price-Condo	\$131,000	\$135,900	\$125,000	\$135,000	\$138,000	-2.2%	\$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

Data from the NAR show the nationwide median home price rose over-the-year in December for the first time since August 2007. The \$178,300 median price reflects what analysts say is a changing mix of homes for sale. Because many of the first-time buyers drawn into the market by tax credits have purchased lower-priced homes, homes left on the market in many areas are those in middle and higher price ranges.

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

November data show annual declines in the S&P/Case-Shiller Home Price Indices are generally growing less negative, and declines in the indices for several areas – including Denver – have given way to slight over-the-year gains. The November reading for Denver's index rose 0.5 percent over-the-year, and the indices for Dallas, San Diego, and San Francisco also showed a positive annual return. While the data suggest housing markets are continuing to rebalance, some analysts worry that the mixed and often inconsistent nature of recent price data suggests a broad and sustained housing recovery has not yet taken hold.

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## Foreclosures

Data from RealtyTrac show roughly one in every 45 U.S. housing units (2.2 percent) received at least one foreclosure filing at some point in 2009. The total number of properties receiving filings in 2009 rose 21 percent from the number reported in 2008, and some analysts say a backlog of filings will make for additional foreclosure pressure in 2010. While 2009 data showed a worsening of the foreclosure trend in many states, four states – California, Florida, Arizona, and Illinois – accounted for more than 50 percent of the nation’s total annual count of properties with filings. In Colorado, the 2009 share of properties with filings (2.4 percent) was just slightly above the national average share.

November foreclosure filings declined from the previous month in each of the seven Metro Denver counties except Boulder County and the City and County of Broomfield. Arapahoe County was the only one of the seven to report a November foreclosure total that was lower than the year-ago count of filings; November filings in the remaining counties were anywhere from four percent to 40 percent higher than the count of filings from November 2008. Metro Denver foreclosure filings through the first 11 months of the year were up 6.4 percent from filings in the same months of 2008.

### Real Estate Foreclosures

	Month of Nov-09	Month of Oct-09	Month of Nov-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual Total 2004
Total Metro Denver*	1,872	2,123	1,728	24,280	22,825	6.4%	12,252
Adams County	379	417	336	5,215	5,226	-0.2%	2,498
Arapahoe County	421	533	490	5,617	5,426	3.5%	3,125
Boulder County	114	112	84	1,316	946	39.1%	524
Broomfield County	29	19	21	306	248	23.4%	134
Denver County	470	480	399	5,740	5,717	0.4%	3,345
Douglas County	171	219	122	2,416	1,922	25.7%	800
Jefferson County	288	343	276	3,670	3,340	9.9%	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 U.S. new home sales fell 7.6 percent between November and December, and December sales were 8.6 percent lower than the year-ago sales total. December sales declined over-the-year in each U.S. region except the Northeast, where the month’s sales total rose more than 33 percent over-the-year. In the remaining U.S. regions, over-the-year declines in December new home sales ranged from 7.8 percent in the South to 27.1 percent in the Midwest. For all U.S. regions, total 2009 new home sales fell roughly 23 percent from sales reported in 2008.

The initial expiration of the first-time homebuyers’ tax credit likely contributed to downward pressure on new home sales at the end of 2009. With the credit now extended and expanded, some data suggest that builders are positioning for more sales. U.S. building permits – a leading indicator of building activity – rose 10.9 percent between November and December, and the gain should support an increase in housing starts over the next several months. Construction starts on all types of privately owned housing fell four percent between November and December, but December’s total rose slightly (0.2 percent) over-the-year. December housing starts also rose over the year in the Midwest (+15.8 percent) and the South (+9.5 percent), and starts declined over-the-year in the Northeast (-19 percent) and the West (-19.4 percent). For all U.S. regions in 2009, the total annual count of housing starts fell roughly 39 percent from the count reported in 2008.

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The National Association of Homebuilders/Wells Fargo Housing Market Index fell one point in January to 15, or the lowest level reported since June 2009. Industry analysts say job uncertainty and competition from foreclosures are continuing to slow a recovery in the new homes market, although builders expect better economic trends to support more new homes activity this spring.

Locally, residential construction activity remains sluggish. The count of Metro Denver building permits issued in October fell nearly 49 percent from the prior month. The ongoing decline in apartment permits – which were down almost 89 percent year-to-date through October – is a key influence on the overall decline in Metro Denver construction activity, although permits for single-family homes and condominiums are also down significantly. October permit issuance for all types of housing was roughly one-sixth the volume reported in October 2008.

## Residential Building Permits

	Month of Oct-09	Month of Sep-09	Month of Oct-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Total 2004	Total 1999
Single-Family Detached Units	178	234	210	1,943	3,348	-42.0%	14,260	17,523
Single-Family Attached Units	36	87	78	516	1,249	-58.7%	4,843	2,883
Multi-Family Units	0	96	993	438	3,878	-88.7%	2,681	4,784
Total Units	214	417	1,281	2,897	8,475	-65.8%	21,784	25,190

Source: Home Builders Association of Metro Denver.

## Apartment Rental Market

Seasonal trends tend to drive Metro Denver's average apartment vacancy rate higher at the end of the year, so a fourth quarter increase in Metro Denver vacancy was partly expected. At the same time, though, the region's comparatively high vacancy level in the fourth quarter (7.7 percent) still reflects a market with significant slack.

For the seven Metro Denver counties, fourth quarter vacancy rates ranged from 5.5 percent in Douglas County to 8.8 percent in the City and County of Denver. Douglas County was the only one of the seven where the 2009 annual average vacancy rate fell below the 2008 rate. For all of Metro Denver, estimated data suggest the annual average apartment vacancy rate in 2009 rose to 8.1 percent from 6.6 percent in the prior year.

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

## Apartment Statistics

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

Source: Denver Metro Apartment Vacancy and Rent Survey.

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## Commercial Real Estate

Despite dire news on the fundamentals and financing for commercial real estate, several businesses and developers have announced plans for property transactions. Boulder-based Sunflower Farmers Market, for example, recently unveiled plans for a new store at the Arapahoe Marketplace in Greenwood Village. The new store will occupy a former Albertson's location and should open later this year. In a similar move, Lakewood-based Natural Grocers by Vitamin Cottage plans to fill part of the space left vacant by Safeway in Centennial's Cherry Knolls Shopping Center. Finally, California-based DaVita Inc. is continuing its efforts to establish a Metro Denver headquarters with new and extended property leases. Spokespeople say the company has extended an existing lease in Lakewood and will divide its operations between that location and a newly leased property at the Gates Corp. building in Denver. Efforts to find a permanent headquarters location are ongoing.

These leasing transactions are generally consistent with trends commercial brokers expect for the remainder of 2010. A forecast recently released by Grubb & Ellis Co. suggests Metro Denver's commercial market will improve before markets elsewhere, but the availability of affordable property will make for a 2010 dominated by leasing and lateral moves.

Still, some developers are making longer-term plans for new projects. A pair of Denver developers, for example, recently announced plans to revamp the Olinger Mortuary Complex in the Lower Highland neighborhood. Once completed, the development will include a restaurant, an outdoor plaza, and – potentially – a jazz club.

A second Denver developer also announced plans for a revitalization project. The Lumberyards – a mixed-used project to be located along South Broadway – could include restaurants and residential space and could break ground in 2011. Further south, plans continue to evolve for new Centura Health facilities in Castle Rock. Spokespeople say construction on the first phase of the \$120 million medical development could begin this summer with work on a medical office building and an emergency care facility.

As many recently announced developments have longer timelines, commercial construction will likely remain sluggish this year. While weak commercial construction activity does not bode well for builders, the lack of development should help stabilize the market. CoStar data shows the direct vacancy rate in Metro Denver's office market declined slightly between the third and fourth quarters, but the fourth quarter rate (13.8 percent) was nearly one percentage point above the year-ago rate. Direct office market lease rates fell from \$20.73 in the third quarter of 2009 to \$20.10 in the fourth quarter.

*A fourth quarter report by Frederick Ross Company predicts recovery in Metro Denver's office market will follow a "U-shaped" pattern, or one where market fundamentals remain unchanged for some time before slowly improving. The report notes that Metro Denver's office market has weathered the recession better than markets elsewhere, but recovery in the local market will still lag under high unemployment and underemployment, reduced real estate spending by businesses, weak consumer confidence, and widespread wealth destruction.*

Commercial credit will also remain constrained in 2010 as many banks are forced to reconcile bad assets. Overall, the Frederick Ross Company expects Metro Denver's office market will need anywhere from 18 months to three years for full recovery.

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## Office Market Statistics

	Quarter 4 2009	Quarter 3 2009	Quarter 4 2008	Quarter 4 2007	Quarter 4 2006	Quarter 4 2005
Number of Buildings	5,356	5,326	5,307	5,240	5,174	5,123
Existing Square Feet (millions)	163.5	162.2	161.2	158.8	157.3	155.6
Vacant Square Feet (direct, millions)	22.6	22.6	20.9	18.8	20.2	20.7
Vacancy Rate (direct)	13.8%	14.0%	13.0%	11.9%	12.9%	13.3%
Vacancy Rate (with sublet)	14.8%	15.0%	14.0%	12.6%	13.8%	14.5%
Avg. Lease Rate (direct, per sq. ft, full service)	\$20.10	\$20.73	\$21.52	\$21.21	\$18.68	\$17.39
New Construction Completed (year-to-date)	1.56 MSF, 22 Bldgs	0.93 MSF, 19 Bldgs	2.19 MSF, 63 Bldgs	1.38 MSF, 58 Bldgs	1.55 MSF, 41 Bldgs	0.73 MSF, 42 Bldgs
Currently Under Construction	1.17 MSF, 8 Bldgs	1.76 MSF, 13 Bldgs	1.99 MSF, 37 Bldgs	3.36 MSF, 66 Bldgs	1.33 MSF, 53 Bldgs	1.34 MSF, 38 Bldgs

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

A fourth quarter report by Frederick Ross Company shows Metro Denver's industrial market in somewhat better condition than markets nationwide. Thanks to a reasonable balance of supply and demand, the region's vacancy rate has remained far below the national level of 10 percent. While vacancy rates and several other indicators suggest Metro Denver's industrial market has reached bottom, the Frederick Ross Company expects lease rates and overall market trends to remain generally sluggish until 2011.

While fundamentals in Metro Denver's office and industrial markets appeared to stabilize in the fourth quarter, fundamentals in the region's flex market continued to weaken. According to CoStar Realty Information, Inc., Metro Denver's direct flex market vacancy rate rose from 14.7 percent in the third quarter of 2009 to 15 percent in the fourth quarter, and the fourth quarter rate was more than one percentage point higher than the year-ago level. The market's fourth quarter direct average lease rate (\$9.56 per square foot) was up slightly from the third quarter but remained more than three percent below the year-ago rate. Flex market construction completed in 2009 totaled just 300,000 square feet in nine buildings, and no flex space was under construction as 2009 ended.

## Industrial Market Statistics

	Quarter 4 2009	Quarter 3 2009	Quarter 4 2008	Quarter 4 2007	Quarter 4 2006	Quarter 4 2005
Number of Buildings	6,659	6,654	6,648	6,602	6,553	6,499
Existing Square Feet (millions)	214.7	214.6	214.4	211.6	209.2	206.8
Vacant Square Feet (direct, millions)	14.5	14.9	14.3	12.3	13.9	16.0
Vacancy Rate (direct)	6.7%	7.0%	6.7%	5.8%	6.6%	7.7%
Vacancy Rate (with sublet)	7.0%	7.2%	7.0%	6.1%	7.0%	8.0%
Avg. Lease Rate (direct, per square foot, NNN)	\$4.83	\$4.84	\$5.13	\$5.06	\$4.94	\$4.68
New Construction Completed (year-to-date)	0.23 MSF, 6 Bldgs	0.23 MSF, 6 Bldgs	2.47 MSF, 41 Bldgs	1.67 MSF, 29 Bldgs	1.65 MSF, 28 Bldgs	1.30 MSF, 40 Bldgs
Currently Under Construction	0.03 MSF, 2 Bldgs	0 MSF, 0 Bldgs	0.17 MSF, 3 Bldgs	1.80 MSF, 21 Bldgs	2.11 MSF, 28 Bldgs	0.86 MSF, 19 Bldgs

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

# MONTHLY ECONOMIC SUMMARY

## Flex Space Statistics

	Quarter 4 2009	Quarter 3 2009	Quarter 4 2008	Quarter 4 2007	Quarter 4 2006	Quarter 4 2005
Number of Buildings	1,353	1,351	1,343	1,313	1,289	1,275
Existing Square Feet (millions)	38.2	38.2	37.9	36.8	36.3	35.9
Vacant Square Feet (direct, millions)	5.7	5.6	5.2	4.3	4.7	4.9
Vacancy Rate (direct)	15.0%	14.7%	13.7%	11.7%	12.9%	13.5%
Vacancy Rate (with sublet)	15.7%	15.4%	14.4%	12.3%	13.5%	14.2%
Avg. Lease Rate (direct, per square foot, NNN)	\$9.56	\$9.44	\$9.90	\$9.32	\$8.53	\$8.27
New Construction Completed (year-to-date)	0.30 MSF, 9 Bldgs	0.27 MSF, 8 Bldgs	0.77 MSF, 25 Bldgs	0.25 MSF, 12 Bldgs	0.46 MSF, 15 Bldgs	0.37 MSF, 21 Bldgs
Currently Under Construction	0 MSF, 0 Bldgs	0 MSF, 0 Bldgs	0.30 MSF, 8 Bldgs	0.16 MSF, 6 Bldgs	0.09 MSF, 2 Bldgs	0.46 MSF, 15 Bldgs

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

Metro Denver's retail market accounted for a majority of what little commercial construction occurred in 2009, but the market's construction volume was still down considerably from prior years. According to data from CoStar Realty Information, Inc., total retail square footage completed in 2009 fell roughly 42 percent from the volume completed in 2008. Retail space at the Streets of Southglenn development accounted for 27 percent of all Metro Denver retail property completed in 2009, and the largest single project was a Douglas County Super Target. Metro Denver's direct retail market vacancy rate fell from 9.1 percent in the third quarter of 2009 to 8.8 percent in the fourth quarter, but the fourth quarter rate was still up considerably from the year-ago level. The direct average lease rate for the retail market fell 5.6 percent over-the-year to \$16.38 per square foot in the fourth quarter.

*A fourth quarter report by Frederick Ross Company suggests recovery in Metro Denver's retail market will be delayed thanks to the consumer impact of weak job and income growth. Delayed recovery seems particularly likely as many economists expect consumer spending habits will not quickly regain pre-recession levels. The report suggests more distressed retail assets will come to market in 2010, and lease rates will remain under pressure as property owners struggle to keep tenants.*

## Retail Market Statistics

	Quarter 4 2009	Quarter 3 2009	Quarter 4 2008	Quarter 4 2007	Quarter 4 2006	Quarter 4 2005
Number of Buildings	8,452	8,109	8,040	7,895	7,797	7,636
Existing Square Feet (millions)	154.0	151.0	149.2	145.8	143.4	139.0
Vacant Square Feet (direct, millions)	13.6	13.7	12.2	10.2	10.1	8.8
Vacancy Rate (direct)	8.8%	9.1%	8.2%	7.0%	7.1%	6.4%
Vacancy Rate (with sublet)	9.2%	9.4%	8.5%	7.3%	7.3%	6.7%
Avg. Lease Rate (direct, per square foot, NNN)	\$16.38	\$16.53	\$17.36	\$16.28	\$16.13	\$15.42
New Construction Completed (year-to-date)	2.06 MSF, 80 Bldgs	1.58 MSF, 62 Bldgs	3.55 MSF, 99 Bldgs	1.60 MSF, 41 Bldgs	4.77 MSF, 54 Bldgs	N/A
Currently Under Construction	0.53 MSF, 12 Bldgs	0.55 MSF, 17 Bldgs	2.05 MSF, 58 Bldgs	6.30 MSF, 81 Bldgs	4.71 MSF, 60 Bldgs	N/A

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 decreased by 4,300 jobs Nov to Dec; YTD emp. down 3.8% through Dec 2009.
% Companies Hiring (Denver Area)	↓	↓	8% of companies expect to add workers in Q1 2010 and 75% expect no change.
Unemployment Rate	↑	↑	Metro rate 7.3% in Dec; YTD avg. rate of 7.3% up from 4.9% in 2008.
Initial Unemployment Insurance Claims	↓	↑	Claims decreased Nov to Dec; YTD claims up 46.2% through Dec 2009.
Total Retail Sales	↓	↓	Metro retail sales decreased Sep to Oct; total sales down 14% YTD through Oct 2009.
Consumer Confidence Index	↑	↑	Mountain Region up to 61.2 in Jan from 52.6 in Dec; index up 39.1% YTD through Jan 2010.
Hotel Occupancy	↓	↓	Hotel occupancy decreased from 53.1% in Nov to 41.9% in Dec; occupancy down 9.2% YTD.
DIA Passengers	↓	↓	Traffic decreased Oct to Nov; traffic down 2.1% YTD through Nov 2009.
Bloomberg Colorado Index	↓	↓	Bloomberg Colorado Index down 2.9% from Dec to Jan; year-to-date return at -2.9%.
Dow Jones Industrial Average	↓	↓	DOW decreased 3.5% Dec to Jan; year-to-date return at -3.5%.
Home Sales (closed)	↓	↓	Home sales decreased 17.8% Nov to Dec; YTD sales down 12.1% through Dec.
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 11.8% Oct to Nov; YTD up 6.4% through Nov 2009.
Residential Building Permits (Total)	↓	↓	Total permits decreased between Sep and Oct; YTD down 65.8% through Oct 2009.
Apartment Vacancy Rate	↑	↑	Vacancy rate increased from 7.4% in Q3 to 7.7% in Q4; avg rental rate at \$875 per month.
Office Vacancy Rate (with Sublet)	↓	↑	Vacancy down from 15% to 14.8% in Q4 2009; avg lease rate down to \$20.10/sq.ft.
Industrial Vacancy Rate (with Sublet)	↓	↔	Vacancy rate decreased from 7.2% to 7% in Q4 2009; avg lease rate down to \$4.83/sq. ft. (NNN)
Retail Space Vacancy Rate (with Sublet)	↓	↑	Vacancy rate down from 9.4% to 9.2% in Q4; avg. lease rate down to \$16.38/sq. ft. (NNN)
<i>Positive Changes</i>	<b>7 of 18</b>	<b>1 of 18</b>	



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