



**Metro Denver**  
Economic Development Corporation

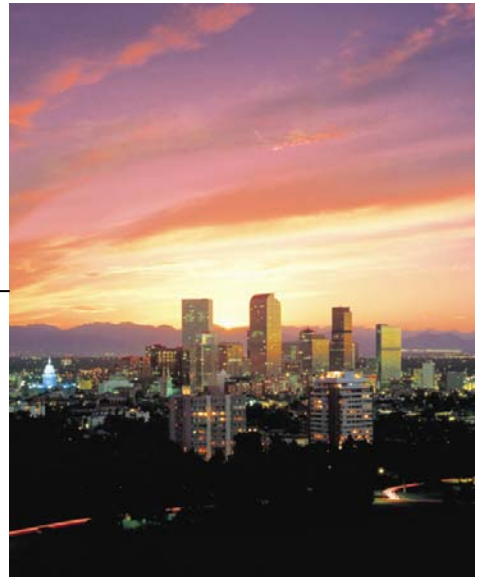
# Monthly Economic Summary

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

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

---

Released March 2, 2010



**Development  
Research Partners**

---

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-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

- ◆ Denver International Airport (DIA) ranked second highest for customer satisfaction among the nation's 30 largest airports, according to J.D. Power and Associates' *2010 North America Airport Satisfaction Study*. More than 12,100 passengers participated in the study and rated airports' terminal facilities, accessibility, food and retail options, and processes for check-in, baggage claim, and security. DIA received J.D. Power's "among the best" ranking for its accessibility and terminal facilities and scored "better than most" for baggage claim and check-in, security, and food and retail.
- ◆ Boulder ranked first in the 2009 "Gallup-Healthways Well-Being Index," which measures the physical and emotional health of residents in 185 metropolitan statistical areas. The survey-based index also has a statewide component that ranked Colorado seventh for its residents' overall well-being.
- ◆ TRIPSwITHPETS.com, a resource Web site for animal owners, recently ranked DIA among ten pet-friendly U.S. airports and gave particular recognition to the DIA pet exercise area.
- ◆ A 2009 Census Bureau data set shows Colorado ranked ninth among the 50 states for Internet usage by residents age three and older. The data suggest nearly three-quarters of Colorado residents over age three access the Internet at home or from other locations.
- ◆ Metro Denver ranked 15th on the 2009 *INRIX National Traffic Scorecard*, which rates 100 metro areas by the severity of their traffic congestion. The INRIX data are based on speed readings from "probe vehicles," or specially equipped taxis, airport shuttles, and passenger cars travelling on highways. Metro Denver's congestion ranking has worsened through the past several editions of the INRIX Scorecard.
- ◆ *Forbes* recently named Metro Denver among "America's New Housing Crisis Capitals." The magazine's analysis reflects data from California-based Altos Research, which tracks asking prices – not sales prices – in real time. Data for Metro Denver suggest that a moderate decline in asking prices recorded in mid-2009 had accelerated in January, and asking prices in markets including Dallas, Austin, and Charlotte were following similar downward trends. Real estate experts have few explanations for the unexpected downturn in previously healthy markets, but they say strong markets could finally be adjusting to new price realities.

## Policy Watch

- ◆ President Obama recently introduced a \$3.8 trillion budget proposal for fiscal year 2011. Some lawmakers say the proposal fails to address the nation's massive deficit, while others say spending cuts for a variety of programs are too deep. Various House and Senate Committees will weigh the proposal in the coming months, and the president will sign a final budget before the federal fiscal year begins in October.
- ◆ The U.S. Small Business Administration (SBA) has again run out of the funds it needs to support easier loan terms offered under the stimulus act. The SBA faced a similar challenge last fall, when Congress found additional funds to support higher SBA loan guarantees and reduced loan fees. As it did last November, the SBA has started a waiting list for loans with special terms and could issue the loans if it receives additional

# MONTHLY ECONOMIC SUMMARY

funding. Analysts say the SBA would need \$375 million to extend the better loan terms through the end of 2010.

- ◆ Four Metro Denver cities – Aurora, Wheat Ridge, Lakewood, and Denver – will receive stimulus-funded grants under the U.S. Department of Energy’s Local Energy Assurance Planning program. The grants range from \$130,000 to \$210,000, and cities will use the funds to develop quick response plans for blackouts and other energy emergencies.
- ◆ After extended debate, Colorado lawmakers finalized a package of bills that suspend or remove several corporate tax exemptions. Governor Bill Ritter recently signed the following bills into law:
  - HB 1189 removes the sales tax exemption for direct mail materials.
  - HB 1190 suspends the sales tax exemption on manufacturers’ energy use.
  - HB 1191 removes the sales tax exemption for soda and candy.
  - HB 1192 repeals a sales tax exemption for downloaded software.
  - HB 1193 requires out-of-state Internet retailers to notify Colorado customers of any sales taxes due. Retailers must also provide the Colorado Department of Revenue with a list of customers who owe tax.
  - HB 1194 removes the sales tax exemption on plastic bags, napkins, and other non-essential foodservice items.
  - HB 1195 suspends the sales tax exemption on various agricultural items.
  - HB 1196 limits the tax credit for alternative-fuel vehicles.
  - HB 1199 temporarily limits the net operating loss businesses can carry forward on their taxes.

Bills still under consideration would limit the state’s annual issuance of tax credits for conservation easements and would also limit business’ tax-favored investment in enterprise zones.

While lawmakers say revenue from the tax credit changes will help fill a significant budget gap, they acknowledge that cuts in services will also be necessary. In addition to broad-based cuts for government programs, legislators are also discussing a one-time transfer of monies that would help balance the State Education Fund and several measures that would more strictly enforce income tax compliance.

At the same time, Colorado lawmakers are weighing a proposed tax credit for employers who re-hire laid-off workers and a sales tax exemption for major equipment purchases by telecommunications companies. Both proposals must pass committee hearings before they are eligible for a broader vote.

- ◆ Colorado lawmakers are also debating proposed legislation that would increase the amount of power investor-owned utilities must generate from renewable sources. The state’s current renewable energy portfolio standard requires investor-owned utilities to generate 20 percent of their energy from renewable sources by 2020. The proposed legislation would increase the standard to 30 percent by 2020.
- ◆ Metro Denver’s FasTracks project continues to face funding challenges, and a proposed tax increase that could help close the project’s cost gap could go to voters this year or in 2012. In the meantime, the project has received several critical funding commitments that should help move key FasTracks corridors forward. FasTracks officials recently accepted a federal loan for a majority of the funding needed to redevelop Denver’s Union Station, which will become a mixed-used, multi-modal transit facility with links between light rail, commuter rail, buses, and conventional rail. Developers say the four-year construction process for Union

# MONTHLY ECONOMIC SUMMARY

Station could begin over the next several months, and development on adjacent commercial parcels could also gain momentum.

In addition to the Union Station loan, FasTracks officials also accepted three grants for the East and Gold Lines and the West Corridor. The West Corridor light rail line – which is already under construction – will link Union Station to the Jefferson County courthouse in Golden. The East and Gold Lines will provide commuter rail transit between Wheat Ridge, Union Station, and Denver International Airport.

## General Economic Overview

Data from the Commerce Department show the U.S. trade deficit widened in December as imports rose faster than exports. December's 10.4 percent increase pushed the nation's trade deficit to the highest level reported in 12 months, and imports of petroleum and non-petroleum goods reached levels not seen since late 2008. Exports also increased for the eighth consecutive month in December, and trade experts say strong export trends should continue in 2010 as world economies revive. The U.S. trade deficit for all of 2009 fell more than 45 percent from the 2008 deficit as imports and exports declined by record amounts.

While the pace of international trade was relatively sluggish in 2009, late-year improvements helped boost growth in the nation's gross domestic product (GDP). Partly because of an increase in exports, the U.S. Bureau of Economic Analysis' second estimate of real GDP growth in the fourth quarter of 2009 (5.9 percent) was slightly higher than the 5.7 percent growth rate analysts originally calculated. Even more critical to the upward revision, however, was the larger-than-expected slowdown in business inventory liquidation. Businesses that slow or stop inventory reduction must increase production to meet demand, and the increased production boosts GDP. In fact, the shift in businesses' inventory strategies accounted for nearly two-thirds of the fourth quarter increase in GDP. While the shift is a positive sign for an economy trying to gain momentum apart from government support, many analysts remain concerned over consumers' ability to drive demand. The revised GDP data, for example, show household spending weaker in the fourth quarter than analysts originally thought.

Many economists say household spending could remain weak for some time. A forecast recently released by the National Association of Business Economists (NABE) suggests the nation's economic recovery is well established, but NABE forecasters say rapid gains in jobs and consumer spending are unlikely. The forecasting panel expects businesses to remain cautious in hiring despite corporate income gains, and the recession's impact on wealth could be a spending deterrent even for consumers with secure employment. The NABE forecast also highlights rising federal debt as a key economic concern. Some of the forecasters' more positive predictions included likely growth in the stock market and continued improvement in home prices.

Citing many of the same mixed indicators, the Federal Open Market Committee of the Federal Reserve (FOMC) voted at a mid-January meeting to keep its target federal funds rate between zero and 0.25 percent. The committee also reiterated plans to end several key liquidity programs in the coming weeks and raised the discount rate, which is the interest rate charged to banks that borrow Federal Reserve funds. Given the increase in the bank lending rate, some analysts say a late-2010 increase in consumer interest rates appears more likely. Federal Reserve spokespeople, however, are working to counter fears of an impending rate hike. In recent congressional testimony, Federal Reserve Chairman Ben Bernanke suggested the Open Market Committee would no longer reference "exceptionally low rates for an extended period" in its communications when it intended to raise rates. Even after such a move, the chairman suggested the committee might delay an increase for several months.

While these statements suggest the nation's monetary recovery is proceeding mostly according to plan, some policymakers are still concerned that a growing federal deficit could weaken the central bank's ability to contain inflation. Federal Reserve spokespeople say the nation's debt obligations can only be funded through taxes or monetization, or the printing of money. If the central bank is forced to monetize public debt, inflation may be more difficult to control.

# MONTHLY ECONOMIC SUMMARY

## Economic Indexes

### *National Economy*

- ◆ A January increase in the Conference Board's Leading Economic Index was slightly smaller than gains reported over the past several months. Still, index gains over the past year suggest the nation's economy should grow through at least the first half of 2010.
- ◆ The Institute for Supply Management's Purchasing Managers Index rose in January for the sixth consecutive month and reached a level not seen since August 2004. Analysts say this latest increase gives "significant assurance" of a recovery in manufacturing, and survey respondents said orders – and prices – are continuing to rise.
- ◆ A slight increase in the Institute for Supply Management's Non-Manufacturing Index between December and January reflects a cautiously optimistic service sector. Survey respondents said business conditions were generally improving but remained weak relative to conditions in prior years.

### *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 through March. 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 between December and January as job losses slowed and GDP data showed the nation's economy improving. Analysts expect Colorado's small business climate to improve further in the coming months, although weak labor markets will be a drag on the state's economy for some time.
- ◆ The Goss Institute's Mountain States Business Conditions Index registered above growth neutral for the fifth consecutive month in February. The index's recent growth trend suggests the Wyoming, Utah, and Colorado economies should expand in the coming months, but analysts say accompanying job gains will be slow. Some analysts are also concerned that a recent increase in the value of the dollar could harm the mountain region's export- and commodity-intensive businesses.

## **Labor Force and Employment**

Ninety-three percent of U.S. metropolitan areas – including the Denver-Aurora-Broomfield MSA – experienced no year-over-year job growth in the second half of 2009, according to a recent study by Garner Economics LLC. While many economists say the recession technically ended in the third or fourth quarter of 2009, the Garner study suggests many local economies have yet to report the job gains that mean recovery to most individuals and businesses.

*The Colorado Department of Labor and Employment is currently conducting its annual benchmark review of the state's employment and unemployment data. Statistics for the month of January and revised data for prior years will be released on March 10. A supplement to the March Monthly Economic Summary will be issued following the data release.*

*The benchmark revision for national-level employment data – which occurs at an earlier date – shows the nation's total employment loss from the start of the recession through December 2009 was nearly one million jobs higher than the data initially suggested.*

# MONTHLY ECONOMIC SUMMARY

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

## Metro Denver Industry Cluster Headlines

**Aerospace:** A major government contract should mean job gains for several of Metro Denver's aerospace and defense employers. Spokespeople for Raytheon Co. say the company's team – which includes Boeing – won an \$886 million U.S. Air Force contract to update the ground control portion of the government's Global Positioning System (GPS). Under the contract – called the Next Generation GPS Control Segment, or OCX – a Raytheon-led team will design and install hardware and software for GPS control stations on air force bases. The six-year contract also includes options for additional studies and support services that could increase the total award value to \$1.5 billion. To accommodate contract work, Raytheon officials say they will add 100 jobs to the company's 2,000-worker campus in Aurora this year. The company may add 200 more jobs in 2011, and partner company Boeing announced plans to add approximately 50 jobs at its Aurora location.

# MONTHLY ECONOMIC SUMMARY

Not all recent contract news has brought positive developments for aerospace, however. The proposed cancellation of NASA's Constellation program could mean changes for Jefferson County-based Lockheed Martin Space Systems, which had won a 2006 Constellation contract to design and build the Orion space vehicle. NASA launched the Constellation program with the goal of returning humans to the moon by 2020, and Lockheed engineers designed the Orion space vehicle to carry the mission's crew. The president's current budget proposal ends the Constellation program – and the Orion project – in favor of programs that emphasize commercial human space flight.

The federal budget is still subject to congressional review and approval, so the future of the Orion project remains unclear. In the meantime, though, NASA has proceeded with contract awards to companies that will use funds to advance research and development for commercial spaceflight. Two Colorado-based companies – United Launch Alliance in Centennial and Sierra Nevada Corp. in Louisville – are among five NASA award recipients.

**Aviation:** Officials with Frontier Airlines recently announced several schedule changes, one of which will end service to a key airport in the Silicon Valley. Frontier spokespeople say flights between Denver and San Jose will end in May, and they blame high operating costs at the Mineta San Jose International Airport for Frontier's withdrawal. Officials in San Jose say flights between the city and Denver carried 80,000 passengers each year.

**Bioscience:** Spokespeople for the University of Colorado Denver recently unveiled plans for a bioengineering program, which will help students apply engineering advances in bioscience- and health-related fields. The new program will give students access to research facilities and faculty at the University of Colorado at Boulder and the University of Colorado School of Medicine. The program will offer undergraduate, masters, and doctoral degrees.

**Aviation and Cleantech:** Spokespeople for Greenwood Village-based Bye Energy Inc. recently unveiled plans for a proof of concept effort called the Greenflight Project. Project engineers have designed a prototype electric motor that will power a small two-seater plane, and spokespeople say engineers will install the motor and test-fly the plane in the coming months. Bye spokespeople say the electric motor costs dramatically less to operate than internal combustion engines and is quiet and efficient. Engineers are also working with Thornton-based Ascent Solar Technologies, Inc. to explore ways that thin-film solar panels might be mounted on the plane's wings.

**Cleantech:** Officials with Denmark-based Vestas Wind Systems A/S announced an order of 33 turbines bound for a New Hampshire wind farm. The order is a positive development for the company's Windsor turbine factory, where production has been temporarily halted due to low demand. Even with the slow economy, though, Vestas officials say the company's plans for new Colorado facilities are proceeding. Machinery testing and employee training has begun at the company's recently completed Pueblo plant, and a second facility in Brighton will begin testing soon. A third Vestas facility – a proposed blade manufacturing plant in Brighton – has not yet broken ground.

These Colorado sites, Vestas officials say, will not be affected by the company's plans for a six percent workforce reduction. Company spokespeople say the 114-job cut is necessary given the weak market for wind power, and cuts will affect jobs in technology, resource management, and construction.

Alcoa Inc. awarded a grant to the Colorado School of Mines for a recycling incentives study. Faculty will use the funds to identify the most cost-effective way to encourage business, household, and municipal recycling.

**Financial Services:** Spokespeople for St. Louis-based Wells Fargo Advisors – one of the nation's largest retail brokerages – recently announced plans to add 1,400 jobs. The company will grow its nationwide branch offices with 1,000 brokers hired from rivals and 400 recruits, but spokespeople have not said how the change might affect employment at branches in Denver and other cities.

**Telecommunications:** Denver-based Qwest Communications may relocate its downtown Denver headquarters elsewhere in the metro area. Spokespeople say the company has not renewed its lease at 1801 California Street,

# MONTHLY ECONOMIC SUMMARY

and roughly half of the 2,600 employees currently housed at the building will move to other Qwest properties. Company officials will delay a final decision on the headquarters location until the existing lease expires in 2012, but employee relocations in the meantime could save Qwest roughly \$12 million in annual operating costs.

## 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.

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.

# MONTHLY ECONOMIC SUMMARY

## 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

## 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

Spokespeople for retailer Sears Holdings say the company will soon close 21 underperforming stores in locations nationwide. Many of the stores – including one in Longmont – are in the company’s discount Kmart brand. The Longmont closure will affect more than 50 employees.

As difficult retail conditions persist, analysts are closely watching consumer spending and debt habits. Data from TransUnion show the percentage of Colorado credit card holders with payments 90 days or more past due declined to 1.07 percent in the fourth quarter of 2009 from 1.12 percent one year earlier. The nationwide delinquency rate (1.21 percent in the fourth quarter of 2009) was essentially unchanged from the year-ago rate but remained significantly below the highs reached during the 2001 recession. This apparent improvement is counterintuitive given the significant increase in mortgage delinquency and unemployment, but some analysts say a shift in consumers’ debt priorities may explain the trend. Distressed consumers may favor credit card debt over mortgage payments as credit card payments are more manageable, and consumers anticipating financial challenges may try to keep credit available for use. Experts also say negative equity makes consumers less inclined to prioritize mortgage debt, and loan modification programs have in some ways reduced the hazard associated with missing payments. A missed credit card payment, however, can still mean a consumer loses all access to affordable credit.

While the status of consumer credit is a key factor in household spending, consumers’ economic and labor market outlooks are perhaps even more important. For the time being, those outlooks are poor. *The Conference Board’s U.S. Consumer Confidence Index fell abruptly between January and February as consumers’ assessment of*

# MONTHLY ECONOMIC SUMMARY

*present conditions – specifically, business conditions and the labor market – fell to the lowest level reported since 1983. Consumers’ six-month expectations also weakened in February, and many remain concerned about their incomes. Consumer confidence in the Mountain Region was little better, although consumer outlooks have improved from lows reported at the same time last year.*

## Consumer Confidence Index

	Month of Feb-10 (p)	Month of Jan-10	Month of Feb-09	YTD Avg 2010	YTD Avg 2009	YTD Avg % Change	Ann Avg 2005
Mountain	46.2	62.3	24.8	54.3	34.4	57.7%	120.3
United States	46.0	56.5	25.3	51.3	31.4	63.5%	100.3

Source: The Conference Board. (p) =preliminary

Data from the U.S. Department of Commerce show nationwide retail sales rose 0.5 percent between December and January. The monthly gain was slightly stronger than many analysts expected, and January sales were 4.7 percent higher than the year-ago sales total.

*Metro Denver retail sales followed a typical seasonal trend and declined between October and November. The November sales total, however, represented a significant slowdown in an over-the-year sales decline that had persisted for the past twelve months.* Total Metro Denver sales in November were 6.9 percent below the year-ago sales total, while October sales were down a much larger 13.5 percent over-the-year. On a year-to-date basis, sales in Adams County, the City and County of Denver, and Jefferson County had fallen the most through November. The year-to-date sales trend was also negative in the remaining four Metro Denver counties.

## Total Retail Sales (\$000s)

	Month of Nov-09	Month of Oct-09	Month of Nov-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual Growth 2004	Annual Growth 1999
Total Metro Denver	5,871,104	6,122,702	6,308,412	68,875,631	79,534,538	-13.4%	7.4%	7.0%
Adams County	1,002,252	1,049,571	1,134,637	11,555,214	14,306,522	-19.2%	11.7%	10.5%
Arapahoe County	1,190,738	1,240,186	1,229,537	13,865,846	15,479,118	-10.4%	2.6%	10.2%
Boulder County	546,069	549,214	554,168	6,616,212	7,286,148	-9.2%	2.1%	4.1%
Broomfield County	103,599	110,040	115,494	1,274,857	1,404,780	-9.2%	49.4%	
Denver County	1,672,849	1,802,538	1,870,108	19,989,384	23,619,757	-15.4%	8.1%	2.2%
Douglas County	470,211	457,233	492,124	5,255,181	5,704,698	-7.9%	16.9%	18.3%
Jefferson County	885,386	913,920	912,344	10,318,938	11,733,515	-12.1%	3.8%	7.3%
Colorado	9,621,545	10,062,846	10,313,287	115,564,799	133,493,357	-13.4%	7.8%	7.4%

Source: Colorado Department of Revenue.

A deep recession and the collapse of prices for oil, food, and other commodities heavily influenced the U.S. Consumer Price Index (CPI) in 2009. Data from the U.S. Bureau of Labor Statistics show core CPI – which measures the prices of goods excluding food and energy – increased at a slow rate (1.7 percent) in 2009. Headline CPI, a broader measure of inflation, fell 0.4 percent in 2009. The decline was the first of its kind since 1955, and the CPI for the Denver-Boulder-Greeley region also showed an historic downtrend. Specifically, the region’s CPI fell 0.6 percent between 2008 and 2009 in the first decline reported since data collection began in 1965. While the data suggest a mild deflationary trend persisted through much of 2009, new figures show signs of higher prices. Largely due to a significant increase in the energy index, the nation’s January CPI increased 2.6 percent over-the-year.

Recent increases in oil prices are slowly translating into higher costs at the pump. According to the AAA *Daily Fuel Gauge Report*, the national average price per gallon of regular gasoline rose slightly between January and

# MONTHLY ECONOMIC SUMMARY

February and ended the month at \$2.70. In Metro Denver, the comparable average price in February was \$2.53, and the average was up roughly three cents per gallon from the prior month's reading. At this price level, Metro Denver motorists are spending roughly 76 cents more per gallon than they spent one year ago.

*The January average occupancy rate for Metro Denver hotels (51.1 percent) was slightly above the year-ago rate. The gain suggests local travel trends may be stabilizing, but average room rates need more time to recover. In January, the Metro Denver average room rate was nearly six percent below the average from January 2009.*

## Metro Denver Hotel Statistics

	Month of Jan-10	Month of Dec-09	Month of Jan-09	YTD Avg 2010	YTD Avg 2009	YTD Avg % Change	Annual 2005	Annual 2000
Percent of Hotel Rooms Occupied	51.1%	41.9%	49.7%	51.1%	49.7%	2.8%	64.1%	68.6%
Average Hotel Room Rate	\$98.77	\$93.23	\$104.96	\$98.77	\$104.96	-5.9%	\$91.10	\$89.57

Source: Rocky Mountain Lodging Report.

*December 2009 passenger traffic at Denver International Airport was 1.7 percent lower than the year-ago traffic level. Airport traffic for all 12 months of 2009 declined 2.1 percent over-the-year as businesses and households limited their travel.*

## Denver International Airport Passengers

	Month of Dec-09	Month of Nov-09	Month of Dec-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual 2004	Annual 1999
Number of Airline Passengers	4,003,422	3,727,828	4,073,246	50,167,485	51,245,334	-2.1%	42,275,913	38,034,017

Source: Denver International Airport, Traffic Statistics.

Word of financial upheaval overseas and uncertainty over the nation's own financial future – particularly as it relates to debt and interest rates – challenged markets in February. *The three major national indexes ended February with gains from the prior month, but all three indexes still showed a negative year-to-date return. By contrast, the Bloomberg Colorado Index rose 2.2 percent year-to-date in February. The state's energy and media companies reported some of the largest market gains.*

## Stock Market Indexes

	Month of Feb-10	Month of Jan-10	Month of Feb-09	YTD Return 2010	YTD Return 2009	Ann Avg Return 2005
Bloomberg Colorado	329.5	313.2	188.2	2.2%	-14.6%	16.9%
S&P 500	1,104.5	1,073.9	735.1	-1.0%	-18.6%	3.0%
NASDAQ	2,238.3	2,147.4	1,377.8	-1.4%	-12.6%	1.4%
DJIA (Dow Jones)	10,325.3	10,067.3	7,062.9	-1.0%	-19.5%	-0.6%

Sources: Bloomberg.com, Yahoo! Finance

## Residential Real Estate

Government-sponsored loan modification programs have had limited success, and the financial intricacies of mortgage securitization have prevented many viable short sales. As a result, foreclosures continue to challenge communities nationwide. In response, the U.S. Treasury is launching the Home Affordable Foreclosure Alternatives (HAFA) program on April 5. The program – a complement to the Home Affordable Modification Program (HAMP) – is designed to help homeowners who are HAMP-eligible but are unable to qualify for or complete a loan modification. Borrowers who meet these criteria will be eligible for a short sale or deed-in-lieu of

# MONTHLY ECONOMIC SUMMARY

foreclosure process with a newly condensed timeline. While the new program should help borrowers avoid the stigma and credit damage of foreclosure, analysts say the program will do nothing to diminish the inventory of depressed properties. That inventory, they say, is particularly troubling as many expect home purchases will slow after two key government programs – the homebuyers’ tax credits and the purchase of mortgage-backed securities – end this spring.

## Home Resales

Data from the National Association of Realtors (NAR) show U.S. existing home sales declined 7.2 percent between December and January. Analysts say the extension of the homebuyers’ tax credits took pressure off buyers in November and December, and many who still hope to receive the credit are just now coming back to the market. The slower January sales figure was still 11.5 percent higher than sales reported in January 2009, and many brokers expect sales to accelerate through the spring. January sales fell from December levels in each of the four U.S. regions, but sales in each region exceeded the year-ago total. Sales rose the least over-the-year in the West (+7.6 percent) and increased the most in the Northeast (+22.4 percent).

*The decline in Metro Denver home sales between December and January was roughly consistent with seasonal trends, but total January sales were 4.7 percent lower than the sales total reported one year earlier. Despite the slower sales activity – which was partly expected given the late-year surge in tax credit-driven home purchases – average sale prices showed signs of improvement.* The Metro Denver average single-family home sales price rose 12.8 percent over-the-year in January, and the average condominium price rose 6.2 percent.

### Previously-Owned Home Sales Activity

	Month of Jan-10	Month of Dec-09	Month of Jan-09	YTD Total 2010	YTD Total 2009	YTD Total % Change	Ann Avg 2005	Ann Avg 2000
Home Sales (Under Contract)	3,690	3,028	3,831	3,690	3,831	-3.7%	65,256	37,130
Home Sales (Closed)	2,353	2,959	2,469	2,353	2,469	-4.7%	53,106	48,611
Unsold Homes on Market	17,465	16,456	19,748	17,465	19,748	-11.6%	23,092	8,820
Average Sales Price-Single Family	\$260,530	\$281,756	\$230,878	\$260,530	\$230,878	12.8%	\$307,529	\$239,779
Average Sales Price-Condo	\$157,701	\$160,399	\$148,509	\$157,701	\$148,509	6.2%	\$189,035	\$145,197
Median Sales Price-Single Family	\$210,000	\$221,000	\$181,500	\$210,000	\$181,500	15.7%	\$247,000	\$195,000
Median Sales Price-Condo	\$130,500	\$131,000	\$113,000	\$130,500	\$113,000	15.5%	\$160,000	\$126,500

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

## Home Prices

Data from the NAR show the nationwide median home price in January was unchanged from the prior year’s level at \$164,700. Analysts say the large inventory of low-priced and distressed homes is beginning to clear in many markets, but distressed properties still accounted for 38 percent of January sales activity.

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

*The nationwide median for all of 2009 (\$173,200) was down nearly 12 percent over-the-year, while the median in the Boulder MSA (\$346,000) fell a much smaller 3.8 percent. Price trends were stronger in the Denver-Aurora-Broomfield MSA, where the 2009 median price of \$219,900 represented a slight, 0.3 percent increase from the 2008 median. The Denver-Aurora MSA was one of 24 metropolitan areas to report an increase in median home*

# MONTHLY ECONOMIC SUMMARY

price between 2008 and 2009, and the region's median price ranked 26th highest in the nation. The Boulder MSA's 2009 median home price ranked 11th highest overall.

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

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

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

Partly because of normal seasonal trends, the Denver index and a majority of the remaining 19 S&P/Case-Shiller Home Price Indices declined between November and December. The Denver index is one of six, however, that showed a positive annual return in December. Analysts say a progressively slower rate of decline in the 10-City and 20-City Composite Indices suggests that home prices are stabilizing, but the pace of improvement in these and the city-level indices has slowed since the summer of 2009.

## Foreclosures

Data from the Mortgage Bankers Association's National Delinquency Survey for the fourth quarter of 2009 show Colorado's rate of mortgage delinquency – 6.91 percent – ranked ninth lowest in the nation. State-level delinquency rates are not seasonally adjusted, and analysts say an increase in Colorado's fourth quarter rate from the third quarter is consistent with late-year delinquency patterns. In what could be an early sign of stabilizing delinquency trends, the national delinquency rate declined in the fourth quarter after seasonal adjustment. Even if delinquency rates continue to decline, though, a considerable inventory of distressed loans will remain. The report showed seriously delinquent loans – those behind on payments by 90 days or more plus those in foreclosure – represented six percent of Colorado home loans in the fourth quarter. The comparable nationwide percentage approached 10 percent.

Metro Denver foreclosure filings in January fell more than five percent from filings reported in January 2009. Filings declined over-the-year in four of the region's seven counties but increased in Boulder County, Jefferson County, and the City and County of Broomfield.

## Real Estate Foreclosures

	Month of Jan-10	Month of Dec-09	Month of Jan-09	YTD Total 2010	YTD Total 2009	YTD Total % Change	Annual Total 2005
Total Metro Denver*	1,754	2,265	1,853	1,754	1,853	-5.3%	14,335
Adams County	382	432	424	382	424	-9.9%	3,281
Arapahoe County	402	643	403	402	403	-0.2%	3,600
Boulder County	107	125	77	107	77	39.0%	619
Broomfield County	23	35	22	23	22	4.5%	124
Denver County	426	401	512	426	512	-16.8%	3,713
Douglas County	141	272	190	141	190	-25.8%	878
Jefferson County	273	357	225	273	225	21.3%	2,120

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

Sources: Colorado Division of Housing.

RealtyTrac data show the nationwide count of properties with foreclosure filings fell 10 percent between December and January, but the January count was still 15 percent higher than the count of properties reported one

# MONTHLY ECONOMIC SUMMARY

year prior. While the struggle with foreclosures continues in many states, six states – California, Florida, Arizona, Illinois, Michigan, and Texas – accounted for 60 percent of U.S. properties with foreclosure filings in January.

## New Homes

Data from the U.S. Department of Commerce show U.S. new home sales fell for the third consecutive month in January and reached a record low. The count of January sales declined 11.2 percent from the December count and was 6.1 percent lower than the sales count from January 2009. The West was the only U.S. region to report an over-the-year increase (+13.8 percent) in new home sales in January, but the January sales total still represented an 11.9 percent decline from the sales total reported one month earlier.

A separate Department of Commerce report showed more activity on the supply side of new housing despite indications of weak demand. The count of U.S. new housing starts rose 2.8 percent between December and January, and the January count of starts rose 21.1 percent from the count reported one year earlier. Counts of housing starts in each of the four U.S. regions moved inconsistently in January, with starts down 3.2 percent from December in the Midwest and starts up as much as 10 percent in the Northeast. Housing starts rose 8.9 percent between December and January in the West, but the January total was 11.6 percent below the total reported one year prior.

Like data on construction activity, recent readings on builder confidence also contrast with new home buying trends. The National Association of Homebuilders/Wells Fargo Housing Market Index rose from 15 in January to 17 in February as builders anticipated the benefits of low interest rates, more stable home prices, and the extended homebuyers' tax credits. Analysts note, however, that a large inventory of distressed properties, limited credit for construction projects, and continued problems with home appraisals are still troubling builders.

Local builders – like many of their peers nationwide – have significant ground to recover. Data from the Home Builders Association of Metro Denver show builders in the seven-county region pulled just over 3,400 residential permits during all twelve months of 2009. The 2009 count was nearly 64 percent lower than the count of permits pulled in 2008 and easily fell below permit counts reported during the housing bust of the late 1980s. Apartment construction essentially halted in 2009, and the count of Metro Denver apartment permits fell 90 percent from the 2008 count. The permit count for condominiums and townhomes fell 56 percent between 2008 and 2009, and the count for single-family homes fell 36 percent.

*The pace of Metro Denver building permit activity was little changed between December and January, although the January count of permits for all property types rose 21 percent from the count reported one year earlier. The gain was entirely due to a year-over-year increase in single-family detached home permits, as January permits for the remaining property types fell below year-ago levels.*

### Residential Building Permits

	Month of Jan-10	Month of Dec-09	Month of Jan-09	YTD Total 2010	YTD Total 2009	YTD Total % Change	Total 2005	Total 2000
Single-Family Detached Units	226	223	140	226	140	61.4%	15,778	15,873
Single-Family Attached Units	45	56	64	45	64	-29.7%	4,642	3,321
Multi-Family Units	0	0	20	0	20	-100.0%	459	9,116
Total Units	271	279	224	271	224	21.0%	20,879	28,310

*Source: Home Builders Association of Metro Denver.*

## Apartment Rental Market

Seasonal trends tend to drive Metro Denver's average apartment vacancy rate higher at the end of the year, so a fourth quarter increase in Metro Denver vacancy was partly expected. At the same time, though, the region's

# MONTHLY ECONOMIC SUMMARY

comparatively high vacancy level in the fourth quarter (7.7 percent) still reflects a market with significant slack. For the seven Metro Denver counties, fourth quarter vacancy rates ranged from 5.5 percent in Douglas County to 8.8 percent in the City and County of Denver. Douglas County was the only one of the seven counties where the 2009 annual average vacancy rate fell below the 2008 rate. For all of Metro Denver, the annual average apartment vacancy rate in 2009 rose to 8.1 percent from 6.6 percent in the prior year.

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

## Apartment Statistics

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

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

## Commercial Real Estate

Data from LoopNet – an online commercial real estate listing service – shows the volume of commercial real estate sold in Metro Denver fell 55 percent between 2008 and 2009. While many analysts blamed dysfunctional credit markets for the slow sales activity, some brokers say a limited stock of properties for sale had a greater influence on transaction volume. Many building owners, for example, hesitated to list their properties as values declined, and many banks extended loans to avoid potential losses. Brokers expect these trends will slowly reverse as the recovery continues, particularly as banks bring more properties to market. While these moves should increase property options for ready buyers, they could extend the market's downward price correction.

While the near-term outlook for commercial real estate remains weak, developers poised for a rebound are bringing more projects into planning phases. The redevelopment of Denver's Alameda Square shopping center is gaining momentum, and the project's first new tenant – a Lowe's store – will open March 5. A second phase of construction will replace the shopping center's old façade.

One of LoDo's last historic warehouse buildings could also receive an update. Developers' plans for a mixed-use overhaul of the Colorado Saddlery building at 15th and Wynkoop Streets include retail and restaurant space, mid-level office space, and penthouse-style residential space on the building's roof. The original building was constructed in 1900.

Finally, the Westminster Economic Development Authority is continuing with plans to redevelop the aging Westminster Mall. The 108-acre new development – Westminster Center – will include office, residential, and entertainment space plus connections to transit. City officials are continuing to buy vacant space at Westminster Mall and are negotiating with candidate developers.

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.

# MONTHLY ECONOMIC SUMMARY

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.

*According to CB Richard Ellis' fourth quarter MarketView report for Metro Denver, large corporations drove what little office market activity occurred in 2009. Brokers expect a similar trend in 2010 because large corporations – as opposed to small or local businesses – are more likely to have access to capital and credit in a still-difficult lending environment. With the overall demand for space still limited, however, brokers say the wide gap between asking rates and signing rates will persist this year. As a result, office market development will remain stalled. Despite these challenges, CB Richard Ellis brokers expect Metro Denver's dynamic economy and favorable balance of supply and demand for office space will help the region's market recover ahead of markets elsewhere.*

*A fourth quarter report by Grubb & Ellis also expects large tenant transactions to dictate Metro Denver's office market conditions in 2010. Grubb & Ellis brokers say 2010 should mark the bottom of the market, however, and lease rate spreads should begin to normalize by the end of the year. Notably, the Grubb & Ellis report shows negative office market absorption in 2009 represented the smallest recession-related loss reported in Metro Denver over the past two decades.*

## 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 Grubb & Ellis shows Metro Denver industrial market vacancy rates – while low compared to rates for other property types – have risen thanks to two recession-driven trends. The collapse of the housing market put pressure on construction-related tenants early in 2009, and a pronounced decline in consumer activity strained retail warehouse tenants later in the year. The report notes, however, that the absence of industrial construction should help the market rebalance comparatively quickly. Grubb & Ellis brokers expect flex space leasing trends will remain weak in 2010, although properties near the National Renewable Energy Laboratory, Lowry, and Fitzsimons could move more quickly.*

*A recent report by CB Richard Ellis notes that Metro Denver's industrial market – while still facing considerable challenges – has less of a debt burden than other property types and industrial markets nationwide. As a result, CB Richard Ellis brokers expect the region's market may not experience the same increase in distressed transactions that brokers expect to see in other markets this year. Because lease rates are significantly below levels that would promote development, though, brokers expect industrial market construction activity will remain subdued in 2010.*

Data from CoStar Realty Information, Inc. confirm that construction activity in Metro Denver's industrial market slowed dramatically in 2009. The total square footage of industrial property completed throughout the year was

# MONTHLY ECONOMIC SUMMARY

less than one-tenth of the square footage completed in 2008, and industrial construction in the fourth quarter was stalled save for two buildings. Partly due to this lack of construction, however, industrial market fundamentals have been comparatively stable. The market's direct vacancy rate in the fourth quarter (6.7 percent) was essentially unchanged from the year-ago rate, and the direct average lease rate fell roughly six percent over-the-year to \$4.83 per square foot in the fourth quarter.

## 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

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.

## 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

# MONTHLY ECONOMIC SUMMARY

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 CB Richard Ellis suggests the downturn in Metro Denver's retail market slowed as 2009 ended. Vacancy rates remained high and average lease rates continued to decline, but the somewhat slower erosion of market fundamentals that occurred in the fourth quarter suggests the retail market may at least stabilize in the coming months. Brokers note, however, that the retail market tends to lag other property markets and the rest of the economy, so a retail recovery is likely to take time. The report also suggests that retail construction and investment activity will be slow to rebound.*

## 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 Oct to Nov; total sales down 13.4% YTD through Nov 2009.
Consumer Confidence Index	↓	↑	Mountain Region down to 46.2 in Feb from 62.3 in Jan; index up 57.7% YTD through Feb 2010.
Hotel Occupancy	↑	↑	Hotel occupancy increased from 41.9% in Dec to 51.1% in Jan; occupancy up 2.8% YTD.
DIA Passengers	↑	↓	Traffic increased Nov to Dec; traffic down 2.1% YTD through Dec 2009.
Bloomberg Colorado Index	↑	↑	Bloomberg Colorado Index up 5.2% from Jan to Feb; year-to-date return at 2.2%.
Dow Jones Industrial Average	↑	↓	DOW increased 2.6% Jan to Feb; year-to-date return at -1%.
Home Sales (closed)	↓	↓	Home sales decreased 20.5% Dec to Jan; YTD sales down 4.7% through Jan.
Median Home Price (Denver-Aurora MSA)	↓	↑	Median home price in Denver MSA down 2.6% Q3 to Q4 2009; YTD price up 0.3%
Foreclosures	↓	↓	Foreclosures decreased 22.6% Dec to Jan; YTD down 5.3% through Jan 2010.
Residential Building Permits (Total)	↓	↑	Total permits decreased between Dec and Jan; YTD up 21% through Jan 2010.
Apartment Vacancy Rate	↑	↑	Vacancy rate increased from 7.4% in Q3 to 7.7% in Q4; avg rental rate at \$875 per month.
Office Vacancy Rate (with Sublet)	↓	↑	Vacancy down from 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>9 of 18</b>	<b>6 of 18</b>	



*Economic and Demographic Research*

*Industry Studies*

*Fiscal and Economic Impact Analysis*

*Real Estate Economics*

---

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