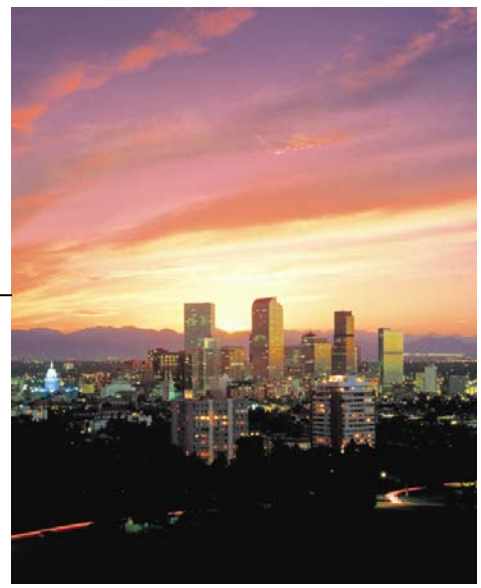
Monthly Economic Summary

A Monthly Summary of Economic Conditions in Metro Denver

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



Released December 2, 2008

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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 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

- Adams County ranks among the nation's top 10 "Affordable Places to Weather the Downturn," according to Forbes.com. The rankings are based on each county's job growth, property taxes, and an affordability index that compares median incomes and home prices. Adams County ranked third overall, and analysts say the county benefits from a diverse employer base that includes aviation, aerospace, and biotechnology companies.
- Data released from the U.S. Department of Transportation show Denver-based Frontier Airlines ranked second among 19 reporting carriers for on-time arrivals in September. Frontier's September on-time percentage of 91.5 was its best reported ever and exceeded on-time percentages for major Denver competitors United Airlines (79.8 percent) and Southwest Airlines (89 percent).
- A recent forecast by Orbitz ranked Denver International Airport ninth among domestic airports for the anticipated volume of Thanksgiving travelers. The forecast compared airports based on tickets booked for travel between November 22 and November 30 and suggests that McCarran International in Las Vegas, New York La Guardia, and Chicago O'Hare will be the country's busiest airports for the holiday. Denver ranked outside of the top ten destinations in a separate Orbitz survey of 2008 Christmas travel.

Special Section: Updates on the Financial Crisis

Policies designed to address the financial crisis continue to change, particularly as government officials debate how funds should be allocated.

- Treasury officials announced a strategic change for the $700 billion Troubled Asset Relief Program (TARP) in early November. Rather than buying and reselling illiquid assets as the TARP originally specified, the Treasury will continue providing capital directly to banks by purchasing their stock. Officials say the Treasury changed its strategy because the asset purchase scheme needed too much time to be effective in the current market.

  Government officials announced a second large support package several weeks later. Under one branch of the program, the Federal Reserve will lend up to $200 billion to investors in securities backed by consumer debts including credit cards, student and auto loans, and small business loans. Under the second branch of the new program, the Federal Reserve will purchase up to $600 billion in mortgage-related debt and securities from government-sponsored entities. Including funds for these new programs, the government has guaranteed at least $8 trillion in investments, insurance and loans.
- Debate about the use of TARP funds for foreclosure prevention programs continues. Treasury officials maintain the funds should only be used for assets with the potential to repay taxpayers, while some congress people argue that the central role of home mortgages in the current crisis justifies program spending. Homeowner assistance programs are emerging on both sides of the argument. A new program will modify delinquent mortgages held by Fannie Mae and Freddie Mac so monthly payments do not exceed 38 percent of a borrower's income. Officials say the plan takes effect on December 15 and will hopefully act as an industry standard for the many lenders hesitant to rewrite loans. Critics question the ultimate impact of the program, though, as Fannie Mae and Freddie Mac reportedly hold only 20 percent of all delinquent U.S. mortgages.

The Federal Deposit Insurance Corporation (FDIC) presented its own alternative plan in mid-November. The plan has yet to be approved, but it would use more than $24 billion of TARP funds to provide incentives for lenders who rewrite loans. The FDIC would also agree to share up to 50 percent of any losses on rewritten loans.

- Citigroup Inc. recently joined the list of financial institutions receiving government assistance. The government will take a stake in Citigroup with a $20 billion cash injection and will insure against losses on up to $306 billion of the company's mortgage-related assets. Citigroup will also be required to rewrite home loans in the $306 billion asset pool to meet the 38 percent of income standard enacted under the new Fannie Mae and Freddie Mac plan.
- Other recent discussion of financial market failures has centered on U.S. automakers. Ford, GM, and Chrysler jointly requested $50 billion in government assistance in early November, claiming that $25 billion in loans approved earlier in the year would not arrive soon enough to help the companies offset dramatic declines in sales. Treasury officials reinforced the notion of using TARP funds only for financial sector investments with long-term profit potential, and some congress people have questioned the long-term viability of the automakers' business model. After several days of testimony, officials with the three companies agreed to draft a detailed plan for how they would use and repay government funds.
- Treasury officials recently agreed to increase aid to insurer AIG after previous assistance failed to stabilize the company. The company will receive an additional $27 billion in government assistance, and the government will hold an 80 percent stake. Treasury officials say the new $150 billion plan will replace all prior agreements with AIG and will be repaid, potentially with profits.
- After a series of new commitments in November, the Treasury is nearly out of TARP funds available under the first, $350 billion distribution. Officials can request a second distribution from Congress.

General Economic Overview

The National Bureau of Economic Research (NBER), the entity charged with dating U.S. business cycles, has officially declared a U.S. recession. The NBER announcement was essentially a foregone conclusion for many businesses and analysts and was based on changes in U.S. employment, output, and other economy-wide measures. According to the NBER, the recession ended a 73-month expansion and began after economic activity peaked in December 2007.

One of the factors used in the NBER dating process, economic output, continues to weaken. The U.S. Bureau of Economic Analysis (BEA) recently revised its -0.3 percent estimate of third quarter change in real GDP to a -0.5 percent rate as household spending and exports declined by a larger-than-expected margin. According to the GDP data, U.S. household spending is now contracting at the fastest rate since the mid-1980s. A final estimate of the change in third quarter GDP is due from the BEA on December 23.

Like the GDP figures, data on international trade reflect rapidly weakening consumption. According to the U.S. Department of Commerce, the nation's trade deficit declined from $59.1 billion in August to $56.5 billion in September as imports and exports fell by large amounts. The decline in imports between August and September (-5.6 percent, -$12.5 billion) was an all-time record in both dollar and percentage terms, and the decline in exports (-6 percent, -$9.9 billion) set a record in dollar terms. In addition to the global pullback in business and consumer spending, the trade data also reflect falling oil prices. According to the Commerce Department data, the decline in average crude oil prices between August and September is the largest on record.

The rapid decline in oil and commodity prices – coupled with record declines in consumer spending – have increased concerns about deflation in the U.S. and other advanced economies. Several factors should help offset deflationary risks in the near term, though. First, continued – albeit slower – growth in developing economies including China and India should help stabilize the world economy. While central banks face large challenges, their aggressive intervention in financial markets thus far should also help stabilize currencies. Many analysts expect the Federal Open Market Committee of the Federal Reserve (FOMC) to cut the target federal funds rate at its December 16 meeting, but the current one percent rate offers little room for additional stimulus through monetary policy. As 2009 begins, the federal government may continue to address markets through liquidity injections and fiscal policy.

Economic Indexes

Recent readings from economic indexes reflect major shocks to the national and global economies. Readings in the near future will likely stabilize at lower levels as businesses implement plans to weather an economic downturn.

National Economy

- The Conference Board's Index of Leading Economic Indicators fell by 0.8 percent between September and October as the indicators for stock prices, consumer expectations, building permits, and supplier deliveries made negative contributions. Analysts noted that the overall index would have weakened sooner were it not for the inflation-adjusted money supply, whose positive contributions to the index have been the largest in seven years.
- The Institute for Supply Management's Purchasing Managers Index declined from 38.9 in October to 36.2 in November. Analysts say recent readings reflect an accelerating contraction in the nation's manufacturing sector, and survey respondents said declining demand and unstable commodity prices are major challenges.
- The Institute for Supply Management's Index of Non-Manufacturing Business Activity fell from 52.1 in September to 44.2 in October. With the October reading below the growth-neutral point of 50, analysts say the nation's service sector is now contracting. Respondents confirmed reductions in consumer spending, particularly in the accommodation and food services and arts, entertainment, and recreation sectors. Respondents from other sectors noted that less consumer spending has forced them to cut their own discretionary expenses.

Local Economy

- The Colorado Business Leaders Confidence Index rose from 43.6 in the third quarter survey to 44.0 in the fourth quarter survey. Analysts say the change in the index – which measures business leaders' expectations for the coming quarter – was essentially insignificant, and the index's standing below 50 points to below-potential growth. Still, they suggest that over-the-month improvements in both the state and national indexes could mean economic improvements in 2009. They also note that business leaders remain more confident about Colorado's economic prospects than they do the national outlook, but the gap between the two outlooks has narrowed recently. The University of Colorado Leeds School of Business and Compass Bank jointly produce the Colorado Business Leaders Confidence Index.
- The Mountain States Business Conditions Index declined from 53.2 in October to 46.2 in November as economic strength in Wyoming failed to offset growing weakness in Colorado and Utah. Analysts say the spread of the national financial crisis and falling energy prices are chiefly to blame for the slowdown in regional economic activity. The Business Conditions Index is released by the Goss Institute for Economic Research.
- The Vectra Bank Colorado Small Business Index declined from 89.6 in September to 87.7 in October as national economic concerns continued to affect business conditions at the local level. Vectra Bank economists note, though, that Colorado remains among a small group of states with comparatively stable employment trends.

Labor Force and Employment

Metro Denver employers cut 6,100 jobs between September and October as the impacts of the financial crisis and weak national labor markets spread to the local level. Employers reduced their staff levels in each of the 11 industry supersectors except wholesale and retail trade, education and health services, and government. Across all industries, Metro Denver's over-the-year job growth rate slowed to 0.3 percent in October and fell behind the comparable rate at the statewide level (0.5 percent) but exceeded the nationwide rate (-0.9 percent). Because local employment trends were stronger as recently as the third quarter, year-to-date job growth rates in Metro Denver and Colorado were 1.3 percent and 1.4 percent, respectively. The same was true at the national level, where job growth through the first 10 months of 2008 measured zero percent despite accelerated job losses in recent months.

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

	Month of Oct-08 (p)	Month of Sep-08	Month of Oct-07	Year-to-Date Average 2008	Year-to-Date Average 2007	Year-to-Date Average % Change	Annual Growth Rate 2003	Annual Growth Rate 1998
Total 11-County Metro Denver*	1,427.0	1,433.1	1,423.0	1,421.0	1,402.9	1.3%	-1.4%	4.0%
Denver-Aurora MSA	1,256.3	1,263.1	1,254.7	1,253.0	1,237.6	1.3%	-1.2%	4.0%
Boulder-Longmont MSA	170.7	170.0	168.3	167.9	165.4	1.6%	-2.8%	4.0%
Natural Resources & Construction	99.5	100.7	102.1	99.3	99.4	-0.1%	-7.1%	11.9%
Manufacturing	87.3	87.8	89.1	88.1	89.1	-1.2%	-4.9%	1.4%
Wholesale & Retail Trade	216.5	215.5	217.6	215.8	214.5	0.6%	-1.9%	3.0%
Transp., Warehousing & Utilities	52.3	52.4	52.6	52.4	52.0	0.8%	-8.0%	15.8%
Information	57.1	57.2	57.5	57.0	57.0	0.0%	3.4%	6.1%
Financial Activities	105.3	105.7	106.5	105.4	107.5	-1.9%	-1.3%	3.3%
Professional & Business Services	244.4	248.0	246.7	245.8	241.3	1.9%	2.6%	2.3%
Education & Health Services	154.3	153.6	149.3	152.1	146.3	3.9%	-0.6%	2.1%
Leisure & Hospitality	147.9	151.5	145.5	149.2	145.5	2.5%	-0.4%	2.1%
Other Services	52.9	53.1	52.0	52.9	52.2	1.5%	0.2%	2.0%
Government	209.5	207.6	204.1	203.1	198.3	2.4%	0.5%	0.2%
Federal Gov't	30.6	30.5	30.5	30.3	30.6	-1.1%	-2.9%	1.8%
State & Local Gov't	178.9	177.1	173.6	172.9	167.7	3.1%	1.4%	2.7%
Colorado	2,360.2	2,373.9	2,348.5	2,357.8	2,324.3	1.4%	-1.4%	3.9%
United States	137,656	137,353	138,837	137,371	137,339	0.0%	-0.3%	2.6%

**Includes the Denver-Aurora 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

As national and global instabilities filter to the local level, business plans are changing even in stronger industries including energy and mining. Freeport-McMoran Copper & Gold Inc. recently changed plans to reopen the Climax molybdenum mine in Leadville and will also reduce its workforce at the Henderson Mine near Empire. Company officials say the price of molybdenum – a metal that hardens steel – has declined dramatically as businesses and governments worldwide cancel plans for construction and capital projects. The postponed opening also means a delay for anticipated employment growth and new investment in the Climax facility.

Changes in hiring and investment strategies are also occurring in a variety of other industries, from wholesale and retail trade to professional and business services.

Aerospace: The Centennial-based United Launch Alliance (ULA) plans to reduce headcount at its local headquarters and locations in Alabama, Texas, and California. Spokespeople say the 350-worker layoff will occur in February 2009 and reflects reductions in contracts and launches as well as the end of the Delta II rocket program. They note, however, that ULA – which formed when units of Boeing and Lockheed Martin combined – was designed to eliminate redundancies and thus had some inherent potential for layoffs.

Other recent developments in Metro Denver's aerospace industry included a grand opening for the 8th Continent Aerospace Business Incubator at the Colorado School of Mines. The incubator will link developing aerospace companies with investors, legal resources, and public relations assistance, and the incubator's first tenant is working to release a GPS-based skier tracking system at the Steamboat and Copper Mountain resorts this year.

Aviation: Officials with Denver-based Frontier Airlines say they have canceled plans to build a heavy maintenance hangar in Colorado Springs. The 100,000-square-foot, $25 million new facility would have moved more than 100 workers from Denver International Airport, where Frontier currently leases maintenance space in a hangar operated by Continental Airlines. Frontier spokespeople cited the continued need to save costs throughout the company's bankruptcy filing and noted that the hangar was no longer necessary given recent capacity reductions.

The continually shifting market for air travel is also prompting changes for other major Metro Denver carriers. Officials with United Airlines say high demand and lower fuel prices have made seasonal daily flights from Denver to London more viable, and they plan to reinstate the previously canceled service next spring. United officials also reneged on plans to double the fee for a second checked bag, which means the airline's charges for the first and second piece of luggage will remain at $15 and $25, respectively.

Analysts say this and other recent moves by airlines – including large price reductions for holiday fares – reflect potential shifts in travel demand. Where record-high oil prices, capacity reductions, and new fee structures shifted the air travel market through late summer and early fall, a drop in business and consumer travel demand now has many carriers reconsidering their strategies. That can benefit consumers, analysts say, as ticket prices moderate. Specifically, recent data from travel web site BestFares.com shows ticket prices for winter travel for Denver averaged $424 in mid-November, down from $438 several weeks earlier.

Beverage: MillerCoors spokespeople say the company will move or cut roughly 300 corporate jobs from Golden. More than 50 corporate jobs had already been eliminated by late October, and officials say a second round of cuts would proceed in 2009. At least 150 corporate jobs will also move from Golden to the company's new Chicago headquarters.

Bioscience: Minnesota-based Cardiovascular Systems, Inc. will purchase Replidyne Inc., a pharmaceutical company based in Louisville. When the FDA rejected Replidyne's main candidate drug in 2007, the company announced a series of layoffs and cash shortages in 2008. Under the new agreement, Replidyne will relocate its headquarters to St. Paul and will become part of Cardiovascular Systems.

Energy: Spokespeople for ConocoPhillips say the company's recent decision to reduce investment in renewable energy will not affect development plans at the former StorageTek campus in Louisville. A ConocoPhillips official cited the ongoing credit crisis as one factor in the company's decision to delay additional investment in clean coal, nuclear, and other renewable technologies but said current research efforts would continue.

Other energy companies have reported a more immediate impact from the credit crisis and falling commodity prices. The U.S. subsidiaries of Denver-based Storm Cat Energy recently filed for bankruptcy protection, several gas companies plan to reduce their rig counts along the Western Slope by as much as 40 percent next year, and at least one local gas producer has announced a hiring freeze.

In short, fluctuating prices, tight credit markets, and a slowing global economy are creating challenges for both fossil and renewable energy companies. Still, some entities are pursuing growth. Solix Biofuels, a spinoff from Colorado State University, plans to build a demonstration plant for its algae-into-fuel technology in southern Colorado next year. Spokespeople say $15.5 million they received from investors will make the construction possible, and the plant could produce fuel at a rate of 6,000 gallons per year by the second half of 2009.

Growth plans are also evolving for energy companies and federal labs in Jefferson County. Littleton-based Ascent Solar Technologies Inc. recently announced plans to work with a New Jersey company to develop and certify roofing materials with integrated solar panels. The National Renewable Energy Laboratory (NREL), is working to secure federal funding for its “Campus of the Future.” If approved, the campus would house more than 12 buildings and labs designed to unite venture capitalists, academics, and scientists in efforts to develop solar, wind, and other renewable technologies. Officials with NREL say the fully developed campus would employ 2,500 workers, or nearly twice the current staff level.

Financial Services: Western Union, a Greenwood Village-based money transfer company, will cut 60 jobs in Metro Denver as part of a global workforce reduction. Company spokespeople say they will cut a total of 200 jobs worldwide in response to the economic slowdown.

IT/Hardware: California-based computer hard drive manufacturer Western Digital plans to double the size of its Longmont design center. The 22,000-square-foot center opened less than one year ago, and company officials will lease an additional 20,000 square feet in the same building. They cite a 43 percent increase in revenues over the past year and say tech talent in the workforce makes Longmont a strategic growth location.

A second computer hardware company, California-based Sun Microsystems, Inc., recently announced plans to downsize. Company officials say they will eliminate as many as 6,000 positions from Sun’s worldwide workforce as part of a restructuring effort, but they did not provide details specific to the company’s location in Broomfield. A 15 to 18 percent reduction similar to what officials plan company-wide could affect between 375 and 450 local jobs, according to a Boulder newspaper.

Employment Outlook

The hiring outlook of Metro Denver employers remained stable between the third and fourth quarters of 2008. According to the Manpower Employment Outlook Survey, the share of Denver Area employers planning to hire in the fourth quarter remained unchanged from the third quarter at 32 percent. On a year-to-date basis, an average of 28 percent of Denver Area employers planned to add jobs, compared to 33 percent for the four quarters of 2007. The hiring outlook was slightly stronger in Boulder County, where the share of employers planning to add jobs rose from 20 percent in the third quarter to 33 percent in the fourth quarter. For the four quarters of 2008, the share of Boulder County employers planning to hire averaged 22 percent in a slight gain over the 17 percent average from 2007.

Metro Denver employers overall have more robust hiring plans than their peers nationwide. The Manpower survey showed 22 percent of U.S. employers planned to add jobs in the fourth quarter, down from 26 percent in each of the prior two quarters. The results show weaker hiring patterns in more than half of the nation’s industry sectors, although the outlook is stable for jobs in construction and public administration and improving for jobs in mining. Denver Area and Boulder County employers reported similar industry-level outlooks.

Employment Outlook Survey

	Quarter 4 2008	Quarter 3 2008	Quarter 4 2007	YTD Avg 2008	YTD Avg 2007	YTD Avg 2006
Denver Area*						
Percent of Companies Hiring	32%	32%	23%	28%	33%	36%
Percent of Companies Laying Off	14%	8%	16%	11%	12%	7%
Percent of Companies No Change	54%	55%	52%	50%	49%	52%
Percent of Companies Unsure	0%	5%	9%	11%	6%	5%
Boulder County						
Percent of Companies Hiring	33%	20%	13%	22%	17%	34%
Percent of Companies Laying Off	13%	13%	7%	11%	12%	5%
Percent of Companies No Change	51%	54%	73%	64%	69%	59%
Percent of Companies Unsure	3%	13%	7%	4%	3%	2%

**Includes Adams, Arapahoe, Broomfield, Denver, Douglas, and Jefferson Counties.*
Source: Manpower Inc.

Unemployment rates in Metro Denver and Colorado increased between September and October. October unemployment rates in the seven Metro Denver counties ranged from 4.5 percent in Boulder County to 6.2 percent in the City and County of Denver, and the region-wide rate rose to 5.5 percent from 5.1 percent in September. Similarly, the statewide rate rose 0.4 percentage points to 5.3 percent from 4.9 percent in September. The Metro Denver and Colorado unemployment rates are currently following the same year-to-date trend, where unemployment through the first 10 months of the year has averaged 4.9 percent each month compared to 3.8 percent in the same months in 2007.

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

	Oct 2008 (p)		2008 YTD Avg		2007 YTD Avg		2003	1998
	Labor Force	Unemploy-ment Rate	Labor Force	Unemploy-ment Rate	Labor Force	Unemploy-ment Rate	Ann Avg Unemploy-ment Rate	Ann Avg Unemploy-ment Rate
Metro Denver	1,551.5	5.5%	1,548.7	4.9%	1,518.2	3.8%	6.4%	2.9%
Adams County	227.8	6.1%	227.6	5.5%	223.1	4.3%	7.2%	3.6%
Arapahoe County	317.9	5.6%	317.4	5.0%	311.2	3.8%	6.3%	2.7%
Boulder County	180.6	4.5%	179.0	4.2%	175.5	3.3%	5.8%	3.3%
Broomfield County*	26.7	5.4%	26.7	4.9%	26.2	3.8%	6.4%	
Denver County	321.7	6.2%	321.0	5.5%	314.2	4.2%	7.3%	4.1%
Douglas County	158.4	4.7%	158.6	4.3%	155.5	3.2%	5.3%	1.7%
Jefferson County	318.4	5.2%	318.5	4.7%	312.6	3.7%	5.9%	2.8%
Colorado	2,765.1	5.3%	2,758.5	4.9%	2,698.1	3.8%	6.1%	3.8%
United States	155,012	6.1%	154,247	5.6%	152,975	4.6%	6.0%	4.5%

**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

As local unemployment rates increase, so do claims for unemployment insurance. An average of 1,454 claims has been filed in Metro Denver each week this year, which represents a 29 percent increase over the average from 2007. Statewide, an average of 2,564 claims has been filed each week this year in a 27 percent increase over 2007.

Weekly First-Time Unemployment Insurance Claims

	Month of Oct-08	Month of Sep-08	Month of Oct-07	YTD Avg 2008	YTD Avg 2007	YTD Avg % Change
Metro Denver	2,084	1,466	1,182	1,454	1,126	29.2%
Colorado	3,616	2,606	2,224	2,564	2,016	27.2%

Note: Reference week data includes the 19th day of the month for all months except November and December, which include the 12th day of the month.
Source: Colorado Department of Labor and Employment, Labor Market Information.

Consumer Sector

Data from the U.S. Department of Commerce show nationwide retail sales declined 2.8 percent between September and October, which is the largest monthly decline in at least 15 years. The news was particularly troubling for the many retailers already expecting a difficult holiday season. A recent survey from ShopperTrak RCT Corporation suggests that foot traffic at retail stores could decline by the largest amount recorded since the survey began in 2001. Other analysts are forecasting the worst holiday sales figures in decades, so many retailers have moved aggressively to attract shoppers early in the season. Many local stores launched major Black Friday promotions, which – according to early estimates of Black Friday sales – attracted large numbers of customers. Analysts warn, though, that deep discounts are hurting margins for many retailers, and Black Friday sales trends do not necessarily represent sales for the rest of the holiday season.

In the meantime, retail bankruptcies and store closures continue. Virginia-based electronics retailer Circuit City announced its Chapter 11 bankruptcy filing in early November and plans to close 155 stores by December 31. In Colorado, Circuit City stores in Colorado Springs, Northglenn, and Parker will close. Sonny's Diamonds & Jewelry in Cherry Creek North is also closing, although the store's owners say the weak economy was only one factor in their decision.

As negative economic news continues to affect businesses and consumers, falling gas prices are providing one point of relief. According to the AAA *Daily Fuel Gauge Report*, the nationwide average price per gallon of regular gasoline was $1.83 as December began. Prices in Colorado and Metro Denver averaged $1.76 and $1.67, respectively as motorists saved more than $1 per gallon over last year's price levels.

Rapidly falling energy prices drove a record one percent decline in the U.S. Consumer Price Index between September and October. A large decline in energy prices drove the overall change, although a decline in core inflation – the measure of prices for all items except food and energy – suggests that prices in general are softening. Data from the U.S. Bureau of Labor Statistics show the October price index remained 3.7 percent ahead of the index from October 2007, which suggests that U.S. consumers are still facing higher-than-average prices for some items, particularly food.

Recent data are not available to describe how changing inflation trends might be affecting local retail sales, but summertime data show Metro Denver sales were staying ahead of inflation as of August. Sales increased slightly from July in three of the seven Metro Denver counties including Arapahoe County, the City and County of Broomfield, and Douglas County. Across the entire region, retail sales through August rose 4.7 percent from the same months last year.

Total Retail Sales ($000s)

	Month of Aug-08	Month of Jul-08	Month of Aug-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Annual Growth 2003	Annual Growth 1998
Total Metro Denver	7,281,157	7,640,841	7,044,543	58,006,290	55,408,189	4.7%	1.6%	8.2%
Adams County	1,278,824	1,567,570	1,197,262	10,429,694	9,046,445	15.3%	6.0%	9.2%
Arapahoe County	1,405,026	1,392,109	1,454,664	11,295,542	11,925,263	-5.3%	1.6%	6.8%
Boulder County	624,427	645,255	612,910	5,336,065	5,122,759	4.2%	4.4%	11.0%
Broomfield County	138,259	134,563	129,350	1,043,331	1,081,841	-3.6%	-6.5%	
Denver County	2,218,695	2,265,901	2,041,170	17,057,055	15,720,435	8.5%	-1.6%	7.9%
Douglas County	523,137	523,039	527,373	4,156,586	4,083,977	1.8%	-2.7%	15.7%
Jefferson County	1,092,789	1,112,404	1,081,814	8,688,017	8,427,469	3.1%	4.6%	5.9%
Colorado	12,322,552	12,950,831	11,990,670	97,883,216	93,494,422	4.7%	1.6%	6.9%

Source: Colorado Department of Revenue.

The U.S. Consumer Confidence Index fell to an all-time low in October as the evolving financial crisis sparked consumer fears about jobs, income, and business conditions. According to The Conference Board, the index decline from 61.4 in September to 38 in October was the third largest ever, although preliminary November data show a very slight rebound. The Mountain Region Consumer Confidence Index also declined in October, and the average index reading for the first 10 months of the year fell almost 40 percent below the average for the same months in 2007.

Consumer Confidence Index

	Month of Oct-08 (p)	Month of Sep-08	Month of Oct-07	YTD Avg 2008	YTD Avg 2007	YTD Avg % Change	Ann Avg 2003
Mountain	55.1	75.0	140.1	81.6	134.8	-39.5%	89.4
United States	38.0	61.4	95.2	61.1	106.2	-42.4%	79.8

Source: The Conference Board. (p) =preliminary

More limited consumer and business travel and general economic concerns are keeping downward pressure on local lodging activity. Metro Denver hotels reported a 64.8 percent occupancy rate in October, down from 73.1 percent in September and 74.6 percent in October 2007. Overall, average occupancy rates through the first 10 months of the year are down 2.1 percent from the same months in 2007, and year-to-date average room rates remain 6.7 percent ahead of 2007 despite weaker readings over the past few months. *While economic factors are having a large influence on hotel data, analysts also note that growth in the supply of new rooms is also keeping downward pressure on overall occupancy rates.*

Metro Denver Hotel Statistics

	Month of Oct-08	Month of Sep-08	Month of Oct-07	YTD Avg 2008	YTD Avg 2007	YTD Avg % Change	Annual 2003	Annual 1998
Percent of Hotel Rooms Occupied	64.8%	73.1%	74.6%	68.6%	70.1%	-2.1%	59.5%	70.0%
Average Hotel Room Rate	$120.28	$125.93	$121.08	$120.02	$112.46	6.7%	$84.79	$87.52

Source: Rocky Mountain Lodging Report.

Passenger traffic at Denver International Airport (DIA) declined between August and September in a shift that is typical for this time of year. More broadly, though, year-to-date growth in passenger traffic continues to slow with the national pullback in travel. Overall, traffic through the first nine months of the year exceeded 39 million passengers in a 3.6 percent increase over the same period in 2007.

Denver International Airport Passengers

	Month of Sep-08	Month of Aug-08	Month of Sep-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Annual 2003	Annual 1998
Number of Airline Passengers	4,017,761	4,768,799	3,951,172	39,338,285	37,958,066	3.6%	37,505,138	36,831,400

Source: Denver International Airport, Traffic Statistics.

Stock market values continued to slump between October and November. The NASDAQ fell 42 percent on a year-to-date basis, followed by the S&P 500 (-39 percent year-to-date) and the Dow Jones Industrial Average (-33 percent year-to-date). The Bloomberg Colorado Index has declined more than the national indexes and registered a year-to-date loss of nearly 54 percent in November.

Stock Market Indexes

	Month of Nov-08	Month of Oct-08	Month of Nov-07	YTD Return 2008	YTD Return 2007	YTD Return 2006
Bloomberg Colorado	208.0	241.9	450.4	-53.8%	17.8%	16.5%
S&P 500	896.2	968.8	1,481.1	-39.0%	4.4%	12.2%
NASDAQ	1,535.6	1,721.0	2,661.0	-42.1%	10.2%	10.3%
DJIA (Dow Jones)	8,829.0	9,325.0	13,371.7	-33.4%	7.3%	14.0%

Sources: Bloomberg.com, Yahoo! Finance.

Residential Real Estate

The unfolding financial crisis is wounding an already struggling housing market, and homebuilders are weighing difficult decisions. Village Homes of Colorado, Metro Denver's largest privately held homebuilder, announced its Chapter 11 bankruptcy filing in November. Spokespeople for the company say the ongoing housing and credit crises as well as problems with the company's lenders were chiefly to blame, but they expect to resolve the financial troubles. Spokespeople for another local builder, Louisville-based McStain Neighborhoods, said the company headquarters will close and two building projects will be delayed.

Overall, the near-term outlook for residential builders depends on how quickly the housing market stabilizes. The local market may be close to that point, some analysts say. A recent report by The Genesis Group suggests that improvements in foreclosure trends, home resales, and interest rates are among signs pointing to a near-bottom market. The report also notes, though, that continued weakness in new home sales and record low levels of consumer confidence could mean the market still needs time to adjust.

Home Resales

U.S. existing home sales fell 3.1 percent between September and October as economic worries overshadowed better home affordability and financing conditions. According to the National Association of Realtors (NAR), U.S. existing homes sold at an annual rate of 4.98 million units in October, down from the 5.06 million-unit rate recorded in October 2007. October existing home sales slowed from September in all U.S. regions, but sales in the West were still nearly 38 percent higher than sales from October 2007. Analysts also note that some of the strongest recent sales gains have occurred in parts of California and Florida as well as Denver, Minneapolis, and Boston.

Local data confirm that Metro Denver's housing market – while still weaker than in prior years – has been improving. The count of closed home sales increased slightly between September and October and brought total sales through the first ten months of the year within 3.3 percent of the 2007 level. The region's unsold inventory continues to contract and fell 20.1 percent below inventory from October 2007. The positive sales trends have yet *to significantly influence local home prices, however.* The Metro Denver average single-family home price through the first ten months of the year fell 12.3 percent below the average for the same months in 2007, and condominium prices declined five percent from last year. Analysts say the combination of distressed properties and the mix of homes available for sale are partly behind the continued decline in local prices.

Previously-Owned Home Sales Activity

	Month of Oct-08	Month of Sep-08	Month of Oct-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Ann Avg 2003	Ann Avg 1998
Home Sales (Under Contract)	4,504	5,269	4,645	55,724	54,255	2.7%	29,703	40,916
Home Sales (Closed)	4,282	4,265	3,848	41,683	43,088	-3.3%	47,966	45,951
Unsold Homes on Market	23,120	23,923	28,928	23,120	28,928	-20.1%	24,660	12,583
Average Sales Price-Single Family	$250,172	$260,118	$289,754	$274,528	$313,079	-12.3%	$277,856	$185,785
Average Sales Price-Condo	$164,686	$161,960	$176,222	$172,632	$181,724	-5.0%	$175,215	$115,235
Median Sales Price-Single Family	$206,000	$216,150	$234,200	$222,000	$248,000	-10.5%	$230,000	
Median Sales Price-Condo	$130,300	$139,900	$140,000	$139,900	$152,000	-8.0%	$154,000	

Source: MetroList, Inc.

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.

Home Prices

Data from the NAR show a continued decline in U.S. home prices. The national median price for all types of existing homes was $183,300 in October, or 11.3 percent below the median from October 2007. Prices have declined the most over-the-year in the West (-27 percent from October), followed by the Northeast (-9.8 percent), the Midwest (-6.7 percent), and the South (-5.8 percent). As they have in prior months, NAR analysts say U.S. median home prices generally reflect the continued influence of distressed properties.

A separate source of home price data, the S&P/Case-Shiller Home Price Indices, suggests that U.S. home prices have returned to their 2004 levels. Each of the 20 metro area indices showed a price decline between August and September as well as a negative annual rate of return. Phoenix and Las Vegas reported the largest annual price index declines (-31.9 percent and -31.3 percent, respectively), and Dallas and Charlotte reported the strongest annual trends (-2.7 percent and -3.5 percent, respectively).The Denver price index was the next-best performing with a -5.4 percent annual rate of decline in September.

A third measure of home values, median quarterly prices, also shows continued nationwide declines. According to the NAR, the U.S. median home price in the third quarter was $200,500 and fell nine percent below the median from the third quarter of 2007. The Denver-Aurora median home price was essentially stable between the second and third quarters of 2008, but the third quarter price declined 11.4 percent from the median for the same period in 2007. Boulder-Longmont median prices declined by a larger margin between the second and third quarter of 2008 but remained a smaller, four percent margin behind last year's level. *Overall, U.S. median home prices declined 8.1 percent through the first three quarters of 2008, while median prices in the Denver-Aurora and Boulder-Longmont MSAs declined 10 percent and 3.4 percent year-to-date.*

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

	Quarter 3 2008 (p)	Quarter 2 2008 (r)	Quarter 3 2007	YTD Avg 2008	YTD Avg 2007	YTD Avg % Change	Median 2003	Median 1998
Boulder-Longmont MSA	$360.9	$375.1	$375.8	$363.9	$376.7	-3.4%	$313.0	n/a
Denver-Aurora MSA	$225.1	$225.2	$254.1	$224.6	$249.6	-10.0%	$238.2	$152.2
United States	$200.5	$206.4	$220.3	$201.0	$218.8	-8.1%	$180.2	$136.0

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

Foreclosures

U.S. homes received 279,561 filings for all stages of foreclosure in October, according to data from California-based RealtyTrac. The October filings represented a five percent increase from September and a 25 percent increase from October 2007. The increase came even as new legislative processes temporarily cut filings in heavily burdened California markets.

While RealtyTrac still ranks Colorado's foreclosure rate among the top ten nationwide, local data suggest the foreclosure trend is losing momentum. *The total count of Metro Denver foreclosure filings rebounded in October after a statutory change in filing procedure depressed the September count. Still, total October filings fell below the total from October 2007, and filings through the first 10 months of the year declined two percent from the same period last year.* Overall, the local foreclosure trend could be maturing as counties that represent the largest shares of total Metro Denver filings – Adams, Arapahoe, and Denver – have reported year-to-date declines in their foreclosure totals for at least two consecutive months.

Real Estate Foreclosures

	Month of Oct-08	Month of Sep-08	Month of Oct-07	YTD Total 2008	YTD Total 2007	YTD Total % Change
Total Metro Denver*	2,096	1,365	2,472	21,122	21,561	-2.0%
Adams County	459	328	513	4,917	5,030	-2.2%
Arapahoe County	460	342	574	4,936	5,069	-2.6%
Boulder County	82	47	77	862	775	11.2%
Broomfield County	16	24	27	226	210	7.6%
Denver County	559	361	686	5,318	6,061	-12.3%
Douglas County	224	53	158	1,799	1,425	26.2%
Jefferson County	296	210	437	3,064	2,991	2.4%

**Foreclosure data for Metro Denver represents the total number of election and demand setups received by the county public trustee in the month received. Some defaults are cured or withdrawn, so not all of the foreclosures listed are real-estate owned properties.*
Sources: Various county public trustees in Metro Denver.

New Homes

The nationwide annual rate of new, single-family home sales declined 5.3 percent between September and October, and the October sales rate fell more than 40 percent below the sales pace from October 2007. The new home sales data from the U.S. Department of Commerce also show over-the-month sales declines in the South and the West, but sales increased between September and October in the Northeast and Midwest. The October sales pace fell considerably behind last year's level across all U.S. regions, though, with over-the-year declines ranging from 38.5 percent in the South to 44.5 percent in the Midwest.

As new home sales remain weak, the rate of new residential construction continues to contract. According to data from the U.S. Department of Commerce, the rate of starts on all types of privately owned housing fell 4.5 percent in October and 38 percent on an over-the-year basis. Across all U.S. regions, October housing starts declined the most over-the-year in the Northeast (-51.6 percent), followed by the West (-39.1 percent), the Midwest (-38.2 percent), and the South (-33.9 percent).

Amid weak sales trends and economic instability, U.S. homebuilder confidence has fallen to fresh lows. The National Association of Homebuilders (NAHB)/Wells Fargo Housing Market Index (HMI) declined from a previous all-time low of 14 in October to nine in November as builders reacted to the financial crisis and its impact on homebuyers. Homebuilder confidence remains the lowest in the West, where the November index registered a reading of six. November confidence readings were similarly low in the Midwest (7), the South (11), and the Northeast (11), and all readings were dramatically below the break-even point of 50.

MONTHLY ECONOMIC SUMMARY

In Metro Denver, building activity continues to reflect the bleak national trend. Local jurisdictions issued permits for 323 residential units in September, and the total issued was less than half the number of permits issued in September 2007. Total permits issued through the first nine months of the year fell 36.6 percent from permits in the same period last year, with the steepest year-to-date decline (-70.4) in permits for condominiums, townhomes, and other forms of single-family attached housing. Permits for single-family detached homes have declined 47.8 percent year-to-date, but the year-to-date count of permits for apartment homes remains ahead of last year's level due to strong summertime activity.

Residential Building Permits

	Month of Sep-08	Month of Aug-08	Month of Sep-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Total 2003	Total 1998
Single-Family Detached Units	257	309	490	3,150	6,032	-47.8%	12,656	16,058
Single-Family Attached Units	59	105	127	1,159	3,910	-70.4%	3,755	3,527
Multi-Family Units	7	148	75	2,885	1,407	105.0%	1,858	7,794
Total Units	323	562	692	7,194	11,349	-36.6%	18,269	27,379

Source: Home Builders Association of Metro Denver.

Apartment Rental Market

Metro Denver's apartment vacancy rate rose from 6.2 percent in the second quarter of 2008 to 6.5 percent in the third quarter as the economic outlook weakened. On a year-to-date basis, however, the vacancy rate was unchanged from 2007 at 6.2 percent. Average rents rose to $892 from $886 in the second quarter, and the increase contributed to a 2.9 percent year-to-date gain in rents.

Apartment Statistics

	Quarter 3 2008	Quarter 2 2008	Quarter 3 2007	YTD Average 2008	YTD Average 2007	YTD Average % Change	Annual Average 2003	Annual Average 1998
Apartment Vacancy Rate	6.5%	6.2%	5.3%	6.2%	6.2%		12.0%	4.4%
Average Monthly Rental Rate (all units)	$892	$886	$858	$880	$855	2.9%	$815	$695

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

Denver-based ProLogis recently announced large changes to its leadership and business plan as poor conditions in commercial real estate and credit markets weakened the company's balance sheet. The company's CEO resigned in early November, and spokespeople say ProLogis will also stop new developments, cut its 2009 dividend, and implement other cost-savings measures. As of mid-November, the company's stock value had declined approximately 97 percent from the prior year.

As troubled financial and real estate markets continue to curb near-term development plans, projects that started before the crises are still being delivered to the market. The Palazzo Verdi office building, a $55.8 million development in Greenwood Village, opened in November with a private preview of the art museum also included in the space. The building is 100 percent leased to Newmont Mining and Ciber, and the Madden Museum of Art will be open weekdays with rotating collections.

Market Overview

A recent report by Frederick Ross Company suggests that Metro Denver's office market is showing signs of stress after months of above-average trends. Leasing activity has slowed as many businesses delay occupancy decisions, and some new buildings delivered vacant have not yet secured tenants. Even so, the report suggests that a diverse economy and still-strong fundamentals will help the local office market avoid a major downturn. Compared to market conditions before the 2001 downturn, for example, today's conditions reflect less of an imbalance between the supply of and demand for Metro Denver office space.

Data from CoStar Realty Information, Inc. suggest that activity in Metro Denver's office market activity slowed modestly between the second and third quarters of 2008. The direct vacancy rate rose to 12.3 percent from 12.2 percent in the second quarter as the inventory of vacant space increased by roughly 300,000 square feet. Quarter-to-quarter gains in average lease rates had reached two percent or more in recent months, but rates declined slightly in the third quarter. Despite weaker fundamentals, Metro Denver office market construction continued in the third quarter with large projects in Denver and Arapahoe Counties. Specifically, the largest projects currently under construction include 1800 Larimer and Tower 1 at 1900 Sixteenth Street in Denver as well as The Streets at Southglenn in Arapahoe County. The largest office projects completed so far this year include the Sugar Cube in downtown Denver, One Lincoln Station in Douglas County, and the Arista lifestyle center in Broomfield.

Office Market Statistics

	Quarter 3 2008	Quarter 2 2008	Quarter 3 2007	Quarter 3 2006	Quarter 3 2005	Quarter 3 2004
Number of Buildings	5,022	5,003	4,955	4,902	4,847	4,792
Existing Square Feet (millions)	157.7	157.2	156.3	154.7	153.3	152.4
Vacant Square Feet (direct, millions)	19.4	19.1	18.9	19.1	21.2	22.4
Vacancy Rate (direct)	12.3%	12.2%	12.1%	12.3%	13.9%	14.7%
Vacancy Rate (with sublet)	13.2%	13.1%	12.8%	13.2%	15.2%	16.5%
Avg. Lease Rate (direct, per sq. ft, full service)	$21.22	$21.24	$20.18	$18.33	$17.29	$16.80
New Construction Completed (year-to-date)	1.05 MSF 44 Bldgs	0.57 MSF 24 Bldgs	1.06 MSF 39 Bldgs	0.96 MSF 33 Bldgs	0.50 MSF 31 Bldgs	1.05 MSF 31 Bldgs
Currently Under Construction	3.41 MSF 54 Bldgs	3.54 MSF 51 Bldgs	2.94 MSF 74 Bldgs	1.77 MSF 48 Bldgs	1.21 MSF 32 Bldgs	0.82 MSF 27 Bldgs

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

A third quarter report by Frederick Ross Company shows Metro Denver's industrial market maintaining strength despite increasing economic pressures. Vacancy rates have increased and leasing velocity has slowed, but absorption trends have still improved from early 2008. Looking ahead, the industrial market still faces challenges, particularly as troubled retailers and wholesale businesses cut back on distribution space.

Like the Metro Denver office market, the region's industrial market lost some of its momentum in the third quarter. According to data from CoStar Realty Information, Inc., the amount of vacant direct space increased modestly, but the overall vacancy rate remained essentially stable at 6.6 percent. The average lease rate declined slightly to $5.10 per square foot in the third quarter after several quarters of consistent increases. Industrial market construction continued in the third quarter despite slower market activity, and two large projects in Adams and Denver Counties accounted for more than half of the space in progress. The largest industrial projects completed so far this year include the Digicomm building in Arapahoe County and several properties along East 45th Avenue in Denver.

Industrial Market Statistics

	Quarter 3 2008	Quarter 2 2008	Quarter 3 2007	Quarter 3 2006	Quarter 3 2005	Quarter 3 2004
Number of Buildings	6,492	6,475	6,441	6,392	6,348	6,314
Existing Square Feet (millions)	211.3	210.7	209.1	206.6	204.6	203.2
Vacant Square Feet (direct, millions)	14.0	13.9	12.5	14.6	15.8	16.0
Vacancy Rate (direct)	6.6%	6.6%	6.0%	7.1%	7.7%	7.9%
Vacancy Rate (with sublet)	7.1%	7.0%	6.1%	7.4%	8.1%	8.4%
Avg. Lease Rate (direct, per square foot, NNN)	$5.10	$5.13	$4.92	$4.84	$4.61	$4.57
New Construction Completed (year-to-date)	1.77 MSF 33 Bldgs	0.32 MSF 12 Bldgs	1.34 MSF 20 Bldgs	1.19 MSF 20 Bldgs	0.61 MSF 21 Bldgs	1.40 MSF 27 Bldgs
Currently Under Construction	0.90 MSF 11 Bldgs	1.16 MSF 20 Bldgs	1.17 MSF 23 Bldgs	1.53 MSF 25 Bldgs	0.84 MSF 21 Bldgs	0.61 MSF 14 Bldgs

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

Activity in Metro Denver's office and industrial markets slowed modestly between the second and third quarters, but the slowdown in flex market activity was more pronounced. According to data from CoStar Realty Information, Inc., the direct vacancy rate rose to 12.8 percent from 12.4 percent in the second quarter as the inventory of vacant space increased by roughly 200,000 square feet. Average lease rates continued to rise as they have for the past six quarters, although the third quarter gain was noticeably smaller than increases from prior periods. Still, flex market construction activity continued at a steady pace, and the largest projects included the Concord Business Center in Douglas County and the High Point OmniCenter near Denver International Airport. The largest flex buildings completed so far this year also include several OmniCenter buildings as well as properties in Boulder County.

Flex Space Statistics

	Quarter 3 2008	Quarter 2 2008	Quarter 3 2007	Quarter 3 2006	Quarter 3 2005	Quarter 3 2004
Number of Buildings	1,328	1,320	1,303	1,292	1,268	1,239
Existing Square Feet (millions)	38.3	38.1	37.6	37.3	36.8	36.3
Vacant Square Feet (direct, millions)	4.9	4.7	4.6	5.2	5.3	5.8
Vacancy Rate (direct)	12.8%	12.4%	12.2%	14.0%	14.3%	16.0%
Vacancy Rate (with sublet)	13.9%	13.3%	13.3%	14.5%	15.2%	17.4%
Avg. Lease Rate (direct, per square foot, NNN)	$9.83	$9.79	$9.17	$8.47	$8.29	$8.42
New Construction Completed (year-to-date)	0.59 MSF 20 Bldgs	0.37 MSF 8 Bldgs	0.16 MSF 8 Bldgs	0.39 MSF 13 Bldgs	0.26 MSF 16 Bldgs	0.08 MSF 3 Bldgs
Currently Under Construction	0.38 MSF 11 Bldgs	0.48 MSF 19 Bldgs	0.38 MSF 11 Bldgs	0.07 MSF 2 Bldgs	0.23 MSF 7 Bldgs	0.34 MSF 16 Bldgs

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

A third quarter report by Frederick Ross Company suggests that Metro Denver's retail market may struggle throughout 2009. Closures of several national retail chains have affected Metro Denver shopping centers, and further closures are possible early next year. As the retail outlook remains generally pessimistic, un-leased space in new developments could also burden the market. *The forecast is not entirely bleak, though, as a diverse economic base and stronger pre-downturn fundamentals could help counter some of Metro Denver's retail market imbalances.*

Metro Denver retail market activity is sluggish, but vacancy rates have remained slightly below the national average. According to data from CoStar Realty Information, Inc., the third quarter direct vacancy rate rose to 7.9 percent from 7.8 percent in the second quarter as vacant space increased by roughly 200,000 square feet. Average lease rates continue to be volatile and declined to $17.81 per square foot in the third quarter. Metro Denver retail construction has continued at a brisk pace despite cooling market conditions, and the largest projects underway in the third quarter included Riverpoint at Sheridan and Cornerstar in Arapahoe County. The largest retail projects completed to-date include Prairie Center and portions of Orchard Town Center in Adams County as well as The Shops at Vallagio in Arapahoe County.

Retail Market Statistics

	Quarter 3 2008	Quarter 2 2008	Quarter 3 2007	Quarter 3 2006	Quarter 3 2005	Quarter 3 2004
Number of Buildings	6,572	6,528	6,466	6,391	6,263	6,131
Existing Square Feet (millions)	143.9	143.1	140.6	138.1	133.3	128.1
Vacant Square Feet (direct, millions)	11.3	11.1	9.7	10.6	9.2	7.5
Vacancy Rate (direct)	7.9%	7.8%	6.9%	7.7%	6.9%	5.9%
Vacancy Rate (with sublet)	8.1%	8.0%	7.1%	7.9%	7.1%	6.1%
Avg. Lease Rate (direct, per square foot, NNN)	$17.81	$17.93	$17.19	$16.84	$15.75	$15.14
New Construction Completed (year-to-date)	2.55 MSF 73 Bldgs	1.56 MSF 33 Bldgs	1.04 MSF 26 Bldgs	3.47 MSF 34 Bldgs	N/A	N/A
Currently Under Construction	2.94 MSF 72 Bldgs	3.15 MSF 58 Bldgs	5.94 MSF 127 Bldgs	4.23 MSF 62 Bldgs	N/A	N/A

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

Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	⇓	⇑	Employment declined by 6,100 jobs Sep to Oct; YTD employment up 1.3% through Oct 2008.
% Companies Hiring (Denver Area)	⇐⇒	⇓	32% of companies expect to add workers in Q4 2008.
Unemployment Rate	⇑	⇑	Metro rate 5.5% in Oct; YTD avg. rate of 4.9% up from 3.8% in 2007.
Initial Claims	⇑	⇑	Claims increased Sep to Oct; YTD claims up 29.2% through Oct 2008.
Total Retail Sales	⇓	⇑	Metro retail sales down 4.7% from Jul to Aug; YTD sales up 4.7% through Aug 2008.
Consumer Confidence Index	⇓	⇓	Mountain Region down to 55.1 in Oct from 75 in Sep; index down 39.5% year-to-date
Hotel Occupancy	⇓	⇓	Hotel occupancy decreased from 73.1% in Sep to 64.8% in Oct; occupancy down 2.1% YTD
DIA Passengers	⇓	⇑	Traffic decreased 15.7% Aug to Sep; YTD traffic up 3.6% through Sep 2008.
Bloomberg Colorado Index	⇓	⇓	Bloomberg Colorado Index down 14% from Oct to Nov; year-to-date return at -53.8%.
Dow Jones Industrial Average	⇓	⇓	DOW decreased 5.3% Oct to Nov; year-to-date return at -33.4%
Home Sales (closed)	⇑	⇓	Home sales increased 0.4% Sep to Oct; YTD sales down 3.3% through Oct.
Median Home Price (Denver-Aurora MSA)	⇐⇒	⇓	Median home price in Denver MSA essentially unchanged Q2 to Q3 2008; YTD price down 10%
Foreclosures	⇑	⇓	Foreclosures increased 53.6% Sep to Oct; YTD down 2% through Oct 2008.
Residential Building Permits (Total)	⇓	⇓	Total permits decreased between Aug and Sep; YTD down 36.6% through Sep 2008.
Apartment Vacancy Rate	⇑	⇐⇒	Vacancy rate increased from 6.2% in Q2 to 6.5% in Q3; avg rental rate at $892 per month.
Office Vacancy Rate (with Sublet)	⇑	⇑	Vacancy rate increased from 13.1% in Q2 to 13.2% in Q3; avg lease rate down to $21.22/sq.ft.
Industrial Vacancy Rate (with Sublet)	⇑	⇑	Vacancy rate increased from 7% in Q2 to 7.1% in Q3; avg lease rate down to $5.10/sq. ft. (NNN)
Flex Space Vacancy Rate (with Sublet)	⇑	⇑	Vacancy rate increased from 13.3% in Q2 to 13.9% in Q3; avg. lease up to $9.83/sq. ft. (NNN)
Positive Changes	**1 of 18**	**4 of 18**	

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