



**Metro Denver**  
Economic Development Corporation

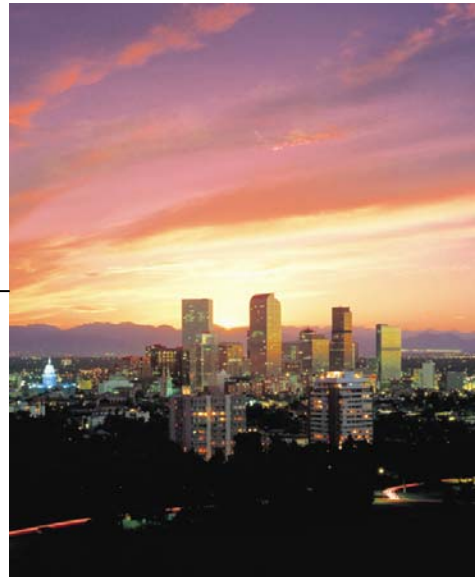
# Monthly Economic Summary

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

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

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# MONTHLY ECONOMIC SUMMARY

The Monthly Economic Summary is a comprehensive analysis of economic conditions in the seven-county Metro Denver area, or the region comprised of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson Counties. There are two metropolitan statistical areas (MSAs) located within the Metro Denver region: the Boulder-Longmont MSA (Boulder County) and the Denver-Aurora 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

- ◆ Colorado ranks third in the nation for its ability to support a knowledge- and technology-based economy, according to the Milken Institute's *State Technology and Science Index*. The index measures 77 indicators in five categories – education, the science and engineering workforce, research and development, high-tech employment concentration, and entrepreneurial environment. Colorado ranked among the nation's top five states in each of the categories and placed behind Massachusetts and Maryland but ahead of California and Washington.
- ◆ Boulder had the nation's second-largest concentration of high-tech workers in 2006, according to the *Cybercities* report by the American Electronics Association (AeA). With 230 high-tech employees per 1,000 private sector workers, Boulder ranked second only to the Silicon Valley, where 286 of every 1,000 employees worked in high-tech industries. The report also ranks Boulder's 2006 average high-tech wage of \$96,100 as sixth highest in the nation.
- ◆ The Society for Human Resource Management and the Great Place to Work Institute Inc. recently named five Colorado companies to the list of *50 Best Small and Medium Companies to Work for in America*. The list ranks companies based on employee surveys plus an evaluation of company pride, camaraderie, respect, fairness, and credibility. Englewood-based InsureMe and Loveland-based McWhinney Real Estate Services made the list of the 25 best small companies. The Integer Group – based in Lakewood – made the best medium companies list.
- ◆ Five of the nation's 500 largest Hispanic-owned businesses are based in Colorado, according to *Hispanic Business* magazine. The Burt Automotive Network in Centennial is the nation's third-largest Hispanic-owned business, and Mike Shaw Automotive is the nation's 22nd largest. Colorado-based AMI Mechanical (145), Gallegos Sanitation (364), and A&N Quality Products (393) are also among the nation's largest Hispanic-owned companies.
- ◆ Colorado business and research organizations more than doubled the impact of the National Institutes of Health (NIH) funding they received in fiscal year 2007, according to a report by Families USA's Global Health Initiative. The report ranks Colorado's economic multiplier of \$2.34 per NIH dollar third highest in the nation behind multipliers in Texas, California, and Georgia. Analysts warn, however, that funding could be increasingly limited as budget cuts have reduced NIH resources by 13 percent.
- ◆ Colorado is still the nation's favorite overnight ski destination, according to the *2007 Travel Year* report by Longwoods International. The report suggests Colorado's other attractions are also drawing more tourists, as the number of overnight travelers to the state rose four percent from 2006 to a record 28 million in 2007. With larger numbers of visitors, the state's revenues from tourism rose 10 percent over-the-year and totaled \$9.8 billion in 2007.
- ◆ Metro Denver has the 17th-strongest economy in the nation, according to the *2008 Economic Strength Rankings* by POLICOM Corporation. The company creates separate rankings of metropolitan and micropolitan statistical areas based on three sets of criteria. Indicators in the first set measure the quality of an

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economy and its ability to generate a strong standard of living. In the second set, income- and population-sensitive indicators measure each economy's behavior. The final category measures economic shortfalls using indicators for money spent on welfare and other low-income assistance. Metro Denver ranked 19th in the 2007 report and 14th in 2006.

## General Economic Overview

The U.S. Bureau of Economic Analysis (BEA) recently revised its preliminary estimate of first quarter GDP growth (0.9 percent) to a final estimate of one percent. According to a BEA release, the slightly higher figure reflects upward revisions to exports, household spending, and business spending on software and equipment. Upward revisions to imports and downward revisions to business inventory, however, nearly offset positive influences on the first quarter figure. The BEA will release an advance estimate of second quarter GDP growth on July 31.

Like the GDP figures, data on the nation's trade deficit reflect a growing tension between positive export trends and oil-driven spending on imports. According to the U.S. Census Bureau, the nation's balance of trade widened from a negative \$56.5 billion in March to a negative \$60.9 billion in April as the largest increase in imports since 2002 more than offset export growth. The average price per barrel of crude oil rose by a near-record amount between March and April, and analysts say high oil prices are essentially dwarfing the positive trade impacts of weak domestic demand and a competitive dollar.

A statement from the June meeting of the Federal Open Market Committee (FOMC) also describes high oil and commodity prices as growing economic risks. The committee voted 9-1 to keep its target federal funds rate unchanged at two percent and suggested that elevated inflation is currently a greater risk than slower economic growth. The FOMC next convenes on August 5.

## Economic Indexes

Several national and local indexes have moved positively in recent weeks. While these results point to some economic resilience, analysts caution that underlying indicators are still broadly negative.

### *National Economy*

- ◆ The Conference Board's Index of Leading Economic Indicators increased slightly in May. The overall index rose 0.1 percent as positive contributions from the indicators for stock prices and the interest rate spread offset negative contributions from the indicators for building permits, consumer expectations, and real money supply. Economists remain cautious about the index results, however, because indicators with negative six-month trends continue to outnumber positive-trending indicators.
- ◆ The Institute for Supply Management's Purchasing Managers Index rose to 50.2 in June after four consecutive months of contraction. Analysts emphasize, however, that conditions continue to be difficult for the nation's manufacturers. Many respondents said their businesses are struggling to absorb or pass on high prices for raw materials, and weak demand is putting additional pressure on profit margins.
- ◆ The Institute for Supply Management's Index of Non-Manufacturing Business Activity rose from 50.9 in April to 53.6 in May as several industries reported improved conditions. Still, high energy prices and higher costs overall remained a significant concern among service industry respondents.

### *Local Economy*

- ◆ The Denver Manufacturing Purchasing Managers Index reversed course again in May and declined to 46.6 from 53.6 in April. The index continues to rise and fall around 50, which is the dividing line between a positive and negative outlook for the local manufacturing industry.

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Readings for the Denver-area service sector have been more stable. The Non-Manufacturing Purchasing Managers Index rose for the second consecutive month and registered 63.9 in May as some respondents reported new customer traffic. The College of Business at the University of Colorado Denver and the National Association of Purchasing Managers – Denver jointly produce the manufacturing and non-manufacturing indexes.

- ◆ The Vectra Bank Colorado Small Business Index rose from a revised 86.9 in April to 87 in May, but the underlying indicators remained mixed. While recent slack in the job market has helped improve small business access to labor, continued housing market weakness is straining small companies that provide engineering, landscaping, design, and other construction-related services.
- ◆ The value of Colorado mergers and acquisitions in the second quarter of 2008 declined more than 80 percent over-the-year, according to Bloomberg data. Colorado essentially followed a national trend, as the volume and value of second quarter U.S. deals declined 22 percent and 46 percent, respectively. Analysts say economic uncertainty and tight credit markets are hampering deals, particularly large transactions.

## Labor Force and Employment

*Data from the Quarterly Census of Employment and Wages (QCEW) show the Metro Denver average annual wage rose from \$48,712 in 2006 to \$50,669 in 2007. The region's over-the-year wage increase (+4 percent) was slightly slower than the statewide average growth rate of 4.4 percent and fell behind a 4.8 percent increase from 2006. When adjusted for inflation, over-the-year growth in the Metro Denver average wage measured about 1.8 percent in 2007.*

*Slower wage growth largely reflects slower job growth over the past year, and the most recent data from the Current Employment Statistics (CES) survey show additional slack in the local job market. Over-the-year growth in Metro Denver nonfarm employment measured 1.3 percent in May, compared to 1.6 percent in April and 1.7 percent in March. Recent growth rates across Metro Denver have been relatively equal, and both the Denver-Aurora and Boulder MSAs reported year-to-date employment gains of 1.7 percent. Denver MSA job growth through the first five months of 2008 was strongest in education and health services (+3.9 percent), while Boulder MSA job growth was strongest in natural resources and construction (+3.9 percent).*

*While the Metro Denver economy is still adding jobs, the impact of weak national trends is increasingly evident. Nationwide over-the-year employment gains slowed to 0.1 percent in May, which brought year-to-date job growth to 0.4 percent. Also consistent with national trends, Colorado job growth has slowed and measured 1.9 percent through the first five months of 2008.*

Economic uncertainty is slowing job growth across the economy, but rising costs of doing business are also affecting employers' decisions about headcount. Citing the high cost of animal feed, North Carolina-based Butterball LLC recently announced plans to cut more than 200 jobs in Longmont. The cuts could affect workers at the company's processing facility as well as farmers and contractors who raise turkeys, but Butterball spokespeople did not provide position-specific details.

While rising costs are affecting nearly all companies, overall business activity differs across industries. Companies in Metro Denver's industry clusters are reporting a variety of trends, from weakness in aviation to strong prospects in energy and biotechnology.

**Aviation:** Due to widespread cutbacks among major airlines, Denver International Airport (DIA) officials have delayed a final decision about the airport's proposed expansion of Concourse C. While DIA has secured a contractor to add at least 10 gates, officials say recent flight reductions and other industry changes have muddied the outlook for needed space. One option, they say, is to reorganize current gate use on Concourse C to free existing space for expanding carriers. In the meantime, DIA officials will proceed with development plans for a

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Westin Hotel to be located at the southeast corner of the airport's main terminal. The revised plans, however, will divide the 500-room project into two, 250-room phases to allow more flexibility as conditions change.

Air carriers are also reacting to continued uncertainty. The nation's largest carrier, American Airlines, recently announced plans to lay off 900 flight attendants and could reduce its headcount of pilots and mechanics as well. Competitor United Airlines recently announced a \$15 fee each way for a passenger's first checked bag effective on tickets purchased on or after June 13 for flights on or after August 18. United – like many major airlines – already charges a \$25 fee for a second checked bag and will also increase fees for three or more bags and luggage that requires special handling. The new rules exempt international travelers, preferred travelers, and several other categories of passengers, but United still expects luggage fees to produce annual revenue of \$275 million.

United officials also announced plans to lay off 950 pilots beginning this summer and fall. Company spokespeople say employees will receive furlough notices based on seniority, but they were unsure how the cuts might affect Denver's 1,064 United pilots. Overall, the layoffs represent roughly 12 percent of United's total headcount and will add to 1,600 salaried positions that the airline also plans to eliminate.

In addition to the staffing changes, United is reducing its domestic and international capacity. Most recently, local travelers learned the airline will end service from Denver to London this fall, less than one year after the route opened. While London-bound passengers can still fly from Denver on British Airways, aviation analysts note that flight options are diminishing rapidly. Other industry changes, though, could help offset more restricted schedules. As part of a new joint agreement, United and Continental Airlines will offer reciprocal frequent flyer miles, sell tickets for the other carrier, and help passengers book itineraries on both airlines. While the carriers say the program is geared towards cost savings, the changes could also help passengers access more flight options as capacity reductions continue.

Denver passengers also face flight reductions on Frontier Airlines. Frontier plans to reduce its capacity by 17 percent and eliminate seven aircraft from its fleet in August and September. The changes will remove 21 of Frontier's 186 daily flights and will affect service to 22 cities, including Chicago, Phoenix, Atlanta, Dallas, and San Francisco. Frontier officials also plan to reduce the airline's headcount in proportion to the capacity reduction, which could mean as many as 800 layoffs in Denver.

While the largest carriers at Denver International Airport continue to reduce capacity, competitor Southwest Airlines is adding flights. As of November, the carrier will expand Denver service to cities including Chicago, Baltimore, and Phoenix and will add service to Oakland and Tulsa.

**Beverage:** Boulder Beer, Colorado's fifth-largest craft brewer, recently announced new distribution agreements that will bring its products to stores in South Carolina, Virginia, and Georgia. The brewer recently expanded its local facilities and now sells its beers in 30 states.

**Bioscience:** Government officials recently announced a public-private partnership that will make \$40 million in grant funding available for biomedical research. The University of Colorado, the Boettcher Foundation, and the Webb-Waring Institute for Cancer, Aging, and Antioxidant Research each contributed to the new grant fund. The Webb-Waring facility will move from its current location on Colorado Boulevard to the Anschutz Medical Campus in Aurora to support the new alliance.

The face of the bioscience industry is also changing in Boulder. SomaLogic Inc., a medical diagnostics company, recently doubled the size of its Boulder facilities with a new lease on the space formerly occupied by Tapestry Pharmaceuticals Inc. Tapestry, another Boulder-based company, is working to liquidate its assets after filing for bankruptcy in February.

A third member of the Boulder bioscience community – Miragen Therapeutics, Inc. – is also evolving. Founded in 2007, the company uses microRNA biology to target cardiovascular disease and recently received \$8 million in venture capital funding. The company also announced its new lease for 14,000 square feet of space in Boulder.

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**Energy:** OPX Biotechnologies Inc., a Boulder-based biofuels research company, is quadrupling its facility size. The company spun off from the University of Colorado at Boulder last year and recently received \$3.6 million in venture capital funding. The company will lease 15,000 square feet of space in Boulder's Flatiron Park West.

In nearby Louisville, more plans are emerging for the ConocoPhillips campus. The company recently announced a \$5 million research agreement with the Colorado Center for Biorefining and Biofuel, or C2B2. Conoco officials also described preliminary plans for the former StorageTek site and said the redeveloped campus could support as many as 7,000 workers. The Louisville facility will house new business units in renewable energy research, and company officials expect to hire a majority of the workers locally.

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

	Month of May-08 (p)	Month of Apr-08	Month of May-07	Year-to- Date Average 2008	Year-to- Date Average 2007	Year-to- Date Average % Change	Annual Growth Rate 2003	Annual Growth Rate 1998
<b>Total 11-County Metro Denver*</b>	1,429.9	1,418.9	1,411.2	1,409.9	1,386.1	1.7%	-1.4%	4.0%
Denver-Aurora MSA	1,260.3	1,250.2	1,244.0	1,242.6	1,221.5	1.7%	-1.2%	4.0%
Boulder-Longmont MSA	169.6	168.7	167.2	167.4	164.6	1.7%	-2.8%	4.0%
Natural Resources & Construction	99.7	98.5	100.0	97.0	95.8	1.3%	-7.1%	11.9%
Manufacturing	87.9	87.8	89.0	87.9	88.7	-1.0%	-4.9%	1.4%
Wholesale & Retail Trade	215.5	214.0	214.6	215.2	212.7	1.2%	-1.9%	3.0%
Transp., Warehousing & Utilities	52.7	52.4	51.8	52.3	51.6	1.3%	-8.0%	15.8%
Information	56.5	56.5	57.2	56.7	56.5	0.3%	3.4%	6.1%
Financial Activities	105.5	105.3	107.8	104.9	107.4	-2.3%	-1.3%	3.3%
Professional & Business Services	248.7	247.2	241.6	243.5	236.0	3.2%	2.6%	2.3%
Education & Health Services	152.2	151.8	146.8	150.9	145.3	3.8%	-0.6%	2.1%
Leisure & Hospitality	150.9	147.4	147.6	145.4	140.9	3.2%	-0.4%	2.1%
Other Services	52.9	52.6	52.2	52.4	51.8	1.1%	0.2%	2.0%
Government	207.4	205.4	202.6	203.8	199.3	2.2%	0.5%	0.2%
Federal Gov't	30.0	30.0	30.6	30.0	30.6	-2.0%	-2.9%	1.8%
State & Local Gov't	177.4	175.4	172.0	173.8	168.7	3.0%	1.4%	2.7%
Colorado	2,362.6	2,354.5	2,328.0	2,341.2	2,298.2	1.9%	-1.4%	3.9%
United States	138,393	137,745	138,289	137,104	136,551	0.4%	-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

**Financial Services:** Long Island-based TransFirst Holdings Inc. will increase its Colorado presence with a new call center in Aurora. The company already employs 500 workers in Louisville and hopes to add 50 more at the Aurora facility this year. TransFirst officials say they will target former mortgage industry workers and other sales professionals to staff the new center.

A second financial services company, TierOne Corporation, plans to reduce its Colorado presence by closing loan production offices in Fort Collins, Denver, and Colorado Springs. Spokespeople say the company will focus on its major Midwest markets as economic challenges continue. A total of nine office closings nationwide will affect 20 TierOne employees.

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**IT:** Internet search engine Google will close its Denver office as it works to streamline operations in Colorado and Texas. Google spokespeople say they will also consolidate offices in Boulder and Thornton, and similar changes will occur in Dallas. The Denver closure will affect fewer than 20 employees.

**Telecommunications:** Nashville, Tennessee-based Asurion plans to increase its Evans, Colorado workforce by 100 positions. The company provides customer services including roadside assistance and handset insurance for AT&T, Cricket, Verizon, and other wireless carriers.

## Employment Outlook

*Third quarter hiring outlooks for Metro Denver employers improved from the second quarter. According to the most recent Manpower Employment Outlook Survey, the share of Denver Area employers planning to add workers in the third quarter rose to 32 percent from 22 percent who planned to add jobs in the second quarter. The share of employers planning to cut jobs was essentially unchanged, and slightly more than half of the employers surveyed planned no staffing changes.*

*Boulder County employers reported more conservative hiring plans for the third quarter. As in the second quarter of 2008, twenty percent expect to add jobs and 13 percent plan to reduce payrolls. Slightly more than half of the Boulder employers surveyed plan no staffing changes for the third quarter, down from nearly two-thirds of respondents for the second quarter survey. The Boulder County results generally followed the national trend, as nationwide survey results were largely unchanged from the second quarter. Twenty-six percent of employers nationwide plan to add jobs between July and September, and 10 percent plan to reduce payrolls. Analysts say stability in the survey results over time could suggest that employers are more effectively forecasting their staffing needs.*

**Employment Outlook Survey**

	Quarter 3 2008	Quarter 2 2008	Quarter 3 2007	YTD Avg 2008	YTD Avg 2007	YTD Avg 2006
<b>Denver Area*</b>						
Percent of Companies Hiring	32%	22%	26%	27%	37%	37%
Percent of Companies Laying Off	8%	7%	13%	10%	11%	9%
Percent of Companies No Change	55%	44%	57%	49%	47%	49%
Percent of Companies Unsure	5%	27%	4%	15%	5%	5%
<b>Boulder County</b>						
Percent of Companies Hiring	20%	20%	13%	18%	18%	38%
Percent of Companies Laying Off	13%	13%	23%	10%	13%	3%
Percent of Companies No Change	54%	67%	61%	68%	68%	57%
Percent of Companies Unsure	13%	0%	3%	4%	1%	2%

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

*The Metro Denver unemployment rate rose from 4.3 percent in April to 4.7 percent in May as labor markets in each of the region's seven counties weakened. On a year-to-date basis, unemployment rates were highest in Adams (5.2 percent) and Denver (5.1 percent) Counties, and rates in the remaining five counties ranged from 3.9 percent to 4.6 percent. Overall, Metro Denver unemployment through the first five months of the year averaged 4.6 percent compared to 3.8 percent for the same months of 2007. The statewide unemployment rate averaged 4.6 percent for the five months ended in May, and the U.S. rate averaged 5.2 percent.*

*Counts of unemployment insurance claims in Metro Denver and Colorado followed a typical seasonal trend and declined between April and May. Claims in both areas, however, remain at elevated levels. Metro Denver claims*

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through the first five months of the year rose 17.6 percent over the same months in 2007, and the count of Colorado claims increased 16 percent year-to-date.

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

	May 2008 (p)		2008 YTD Avg		2007 YTD Avg		2003	1998
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Ann Avg Unemployment Rate	Ann Avg Unemployment Rate
Metro Denver	1,551.5	4.7%	1,545.3	4.6%	1,500.9	3.8%	6.4%	2.9%
Adams County	227.8	5.1%	227.1	5.2%	220.6	4.4%	7.2%	3.6%
Arapahoe County	318.0	4.7%	316.5	4.6%	307.2	3.7%	6.3%	2.7%
Boulder County	179.7	3.9%	179.1	3.9%	174.4	3.2%	5.8%	3.3%
Broomfield County*	26.7	4.8%	26.6	4.6%	25.8	3.7%	6.4%	
Denver County	321.2	5.1%	320.0	5.1%	310.6	4.3%	7.3%	4.1%
Douglas County	158.9	4.1%	158.2	4.0%	153.5	3.1%	5.3%	1.7%
Jefferson County	319.2	4.5%	317.8	4.4%	308.8	3.6%	5.9%	2.8%
Colorado	2,746.3	4.7%	2,743.2	4.6%	2,665.9	3.8%	6.1%	3.8%
United States	154,003	5.2%	153,135	5.2%	152,044	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

## Weekly First-Time Unemployment Insurance Claims

	Month of	Month of	Month of	YTD Avg	YTD Avg	YTD Avg
	May-08	Apr-08	May-07	2008	2007	% Change
Metro Denver	1,291	1,315	1,080	1,389	1,181	17.6%
Colorado	2,394	2,621	1,826	2,510	2,161	16.1%

Note: Reference week data includes the 19th day of the month with the exception of November and December, which includes the 12th day of the month.  
Source: Colorado Department of Labor and Employment, Labor Market Information.

## Consumer Sector

As the Internal Revenue Service disburses the remaining 2008 economic stimulus checks, many analysts disagree about their actual spending impacts. According to one recent survey, only 11 percent of people who had received their checks spent the entire amount. Other reports suggest, though, that nationwide retail sales exceeded expectations in May because many consumers spent their checks at general merchandise and department stores. Either way, most economists expect the retail impact of the stimulus checks to diminish as food and gas prices continue to burden consumers.

Nationwide gas prices rose further in June and averaged \$4.09 per gallon as the month ended, according to the AAA *Daily Fuel Gauge* report. In Metro Denver, prices averaged \$3.92 and fell slightly below the statewide average of \$4 per gallon. While consumers nationwide are already struggling to offset the higher costs, U.S. gas prices threaten to reach even higher levels as oil prices rise past \$140 per barrel. According to the most recent fuel price forecast from the U.S. Energy Information Administration, the average U.S. price per gallon of regular gasoline could peak near \$4.15 in August. Other analysts say, however, that a rise in oil prices towards \$150 or even \$200 per barrel could push gasoline prices closer to \$4.50 per gallon and beyond.

The extent to which gas prices will increase remains unclear, but large and possibly permanent changes in consumer habits are already occurring. Figures from AutoData Corporation show nationwide car and truck sales

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declined for the fourth consecutive month in June, and analysts say driving habits are changing as well. While July 4 tourism data are not yet available, AAA projections suggest that travel figures for the holiday weekend could decline by more than one percent this year. Local tourism officials, however, offer mixed indications about recent trends. Some say that traffic at campgrounds and RV parks has exceeded that of prior years, while others note that visitors are reducing their spending on meals and souvenirs and trading trips with multiple destinations for one-stop excursions.

A recent Reuters/Zogby poll also suggests that high gas prices are affecting decisions about work and leisure. Almost 39 percent of survey respondents said they might change vacation plans due to fuel costs, and nearly 60 percent planned to drive less in general. More than 30 percent of respondents planned to limit meals at restaurants, 10 percent were considering a move closer to work, and 10 percent were considering work closer to home.

The impact of fuel costs on workers is a growing concern for Metro Denver employers, according to a separate survey by the Mountain States Employers Council. Forty-six percent of respondents said they offer employees fuel-related accommodations, including flexible scheduling, telecommuting, reduced-price transit passes, and gasoline gift cards. Many respondents were also considering increased accommodations, particularly for traveling sales agents, maintenance workers, and other employees who drive a large number of miles for work.

Fuel costs and grocery prices are some of the largest concerns for consumers this summer, but energy analysts warn that significant increases in natural gas costs will impose another burden on households and businesses as winter begins. Xcel Energy recently proposed a price increase that analysts say could be approved quickly, because Colorado law requires energy companies to pass costs to consumers on a dollar-for-dollar basis. If the increase is approved, the average residential energy bill would rise from \$53.45 – the average for the third quarter of 2007 – to \$73.89 in the third quarter of 2008. Overall, the shift would amount to a 38 percent increase over 2007 prices.

Higher oil costs are also feeding more price increases for petroleum-based wholesale and consumer goods. The Dow Chemical Company plans to add a second, 25 percent increase to the 20 percent increase it announced in May, which means higher prices for goods ranging from household cleaners and automobile components to pesticides and paint. Dow spokespeople say the increase is unavoidable as the company's expenditures on energy and hydrocarbon feedstocks have quadrupled since 2002.

Recent readings on the U.S. Consumer Price Index (CPI-U) also reflect the broad impact of high oil prices. According to the U.S. Bureau of Labor Statistics, the seasonally adjusted CPI increased 0.6 percent in May after a 0.2 percent increase in April. Food and energy costs continue to drive the index, and a 0.2 percent increase in core inflation – or CPI less food and energy – suggests prices for other items are rising as well.

*The increasingly difficult consumer environment has slowed growth in Metro Denver retail sales over the past several months. Total sales through March rose 2.7 percent over the same months of 2007, but inflation-adjusted sales growth may actually be negative. Year-to-date sales trends across the seven Metro Denver counties varied considerably in March, with sales amounts as much as 5.8 percent below and 13.3 percent above 2007 levels. The statewide pace of retail sales growth was slightly faster than the Metro Denver rate through the first three months of the year, but the trend of subtle slowing is consistent for both areas.*

*Mountain Region consumer confidence improved between April and May, but the broad consumer outlook continues to weaken. The Mountain Region Consumer Confidence Index rose to 76.8 in May but remained considerably below last year's level, and the nationwide reading for May represented a 16-year low.*

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## Total Retail Sales (\$000s)

	Month of Mar-08	Month of Feb-08	Month of Mar-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Annual Growth 2003	Annual Growth 1998
Total Metro Denver	7,693,948	6,373,560	7,529,927	20,520,588	19,974,409	2.7%	1.6%	8.2%
Adams County	1,320,022	1,151,627	1,187,900	3,545,983	3,130,966	13.3%	6.0%	9.2%
Arapahoe County	1,494,292	1,277,468	1,634,549	4,134,965	4,350,985	-5.0%	1.6%	6.8%
Boulder County	767,025	563,895	768,142	1,907,175	1,891,721	0.8%	4.4%	11.0%
Broomfield County	144,896	119,815	151,924	372,654	395,698	-5.8%	-6.5%	
Denver County	2,166,597	1,834,962	2,106,820	5,894,341	5,721,722	3.0%	-1.6%	7.9%
Douglas County	562,737	457,326	531,596	1,481,910	1,435,002	3.3%	-2.7%	15.7%
Jefferson County	1,238,379	968,467	1,148,996	3,183,560	3,048,315	4.4%	4.6%	5.9%
Colorado	13,143,660	10,908,501	12,866,032	35,061,529	33,873,610	3.5%	1.6%	6.9%

Source: Colorado Department of Revenue.

## Consumer Confidence Index

	Month of May-08 (p)	Month of Apr-08	Month of May-07	YTD Avg 2008	YTD Avg 2007	YTD Avg % Change	Ann Avg 2003
Mountain	76.8	67.5	138.9	93.3	138.3	-32.5%	89.4
United States	57.2	62.8	108.5	69.9	108.9	-35.8%	79.8

Source: The Conference Board. (p) = preliminary

The Metro Denver hotel occupancy rate was essentially unchanged between April and May, but the rate fell below last year's level. The May occupancy rate of 67.3 percent brought average occupancy for the first five months of the year to 62.5 percent, compared to 63.2 percent for the same months in 2007. With slightly weaker occupancy, the Metro Denver average room rate declined between April and May in the first such move this year.

## Metro Denver Hotel Statistics

	Month of May-08	Month of Apr-08	Month of May-07	YTD Avg 2008	YTD Avg 2007	YTD Avg % Change	Annual 2003	Annual 1998
Percent of Hotel Rooms Occupied	67.3%	67.4%	68.9%	62.5%	63.2%	-1.1%	59.5%	70.0%
Average Hotel Room Rate	\$115.38	\$118.25	\$112.66	\$113.18	\$107.47	5.3%	\$84.79	\$87.52

Source: Rocky Mountain Lodging Report.

Over-the-year growth in passenger traffic at Denver International Airport slowed to one percent in April from 5.3 percent in March. While passenger counts at DIA continue to grow, airport officials expect the figures will weaken as tight budgets and a troubled airline industry take their toll on travel. Because of stronger traffic early in the year, the total passenger count at DIA rose 4.1 percent year-to-date through April.

## Denver International Airport Passengers

	Month of Apr-08	Month of Mar-08	Month of Apr-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Annual 2003	Annual 1998
Number of Airline Passengers	4,078,112	4,597,347	4,038,014	16,270,649	15,624,532	4.1%	37,505,267	36,831,400

Source: Denver International Airport, Traffic Statistics.

# MONTHLY ECONOMIC SUMMARY

Each of the three national stock indexes fell in June after two consecutive months of gains. As the second quarter ended, poor reports on corporate profits, additional write-downs for financial firms, and continued pressure on oil prices drove the Dow Jones Industrial Average (DJIA) to its lowest level since September 2006. The S&P 500 and the NASDAQ followed similar trends, and the year-to-date returns for each index grew considerably more negative. Many Colorado companies also fared poorly, and the year-to-date return for the Bloomberg Colorado Index fell from -0.4 percent in May to negative six percent in June.

## Stock Market Indexes

	Month of Jun-08	Month of May-08	Month of Jun-07	YTD Return 2008	YTD Return 2007	YTD Return 2006
Bloomberg Colorado	423.0	448.5	435.9	-6.0%	14.0%	5.6%
S&P 500	1,280.0	1,400.4	1,505.7	-12.8%	6.2%	1.8%
NASDAQ	2,293.0	2,522.7	2,608.4	-13.5%	8.0%	-1.5%
DJIA (Dow Jones)	11,350.0	12,638.3	13,422.3	-14.4%	7.7%	4.0%

Sources: Bloomberg.com, Yahoo! Finance.

## Residential Real Estate

### Home Resales

The pace of U.S. existing home sales improved by two percent between April and May, according to the National Association of Realtors (NAR). Home sales occurred at a seasonally adjusted annual rate of 4.9 million units in May, and better sales conditions helped the nationwide inventory of unsold homes decline to a 10.8-month supply from an 11.2-month supply. NAR analysts note, however, that the current sales pace remains 16 percent behind sales from May 2007, and a significant amount of accumulated inventory still needs to sell. Current home sales in every U.S. region remain below last year's levels, but May sales improved the most over-the-month in the Midwest (+5.5 percent) and Northeast (+4.6 percent).

Home sales conditions have also improved in the local market. The number of closed home sales in Metro Denver rose for the fourth consecutive month in May, although year-to-date sales remain 8.6 percent below sales from the first five months of 2007. The number of unsold homes on the market followed a typical seasonal pattern and increased in May, and the average selling prices of Metro Denver single-family homes and condominiums also increased. Much of Metro Denver remains a buyer's market, however, as average prices for single-family homes and condominiums in May fell 13 percent and four percent below May 2007 levels, respectively.

### Previously-Owned Home Sales Activity

	Month of May-08	Month of Apr-08	Month of May-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Ann Avg 2003	Ann Avg 1998
Home Sales (Under Contract)	6,338	6,287	6,353	28,175	27,869	1.1%	29,703	40,916
Home Sales (Closed)	4,664	4,265	5,081	18,626	20,384	-8.6%	47,966	45,951
Unsold Homes on Market	26,333	26,171	29,110	26,333	29,110	-9.5%	24,660	12,583
Average Sales Price-Single Family	\$276,374	\$267,259	\$318,904	\$275,129	\$308,458	-10.8%	\$277,856	\$185,785
Average Sales Price-Condo	\$175,758	\$175,245	\$183,896	\$172,869	\$178,820	-3.3%	\$175,215	\$115,235
Median Sales Price-Single Family	\$226,500	\$222,550	\$251,155	\$223,000	\$243,500	-8.4%	\$230,000	
Median Sales Price-Condo	\$148,000	\$134,500	\$155,000	\$137,000	\$151,896	-9.8%	\$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.

# MONTHLY ECONOMIC SUMMARY

## Home Prices

According to the NAR, the U.S. median price for all types of single-family housing was \$208,600 in May, or roughly six percent less than the May 2007 median. Regionally, over-the-year declines in median home prices were as small as 0.7 percent in the Midwest and as large as 16 percent in the West.

*The S&P/Case-Shiller Home Price Indices also show a wide range of regional trends. Each of the 20 metropolitan area indices posted a negative annual return in April, with over-the-year price changes ranging from -0.1 percent in Charlotte to -27 percent in Miami and Las Vegas. The Denver index posted a -4.7 percent annual return in April in a slight improvement from March.* As the S&P/Case-Shiller Indices continue to decline, some observers suggest the price measures – which track home sales, not refinances – could be exaggerating overall declines in areas where low-priced foreclosures account for a large portion of sales.

Quarterly median home price data are based on a different methodology, but the most recent figures also show home price declines accelerating through early 2008. According to the NAR, the first quarter U.S. median home price of \$196,300 was down 7.7 percent over-the-year, compared to a 6.1 percent decline in the fourth quarter of 2007. The Denver-Aurora median declined 6.6 percent between the first quarters of 2007 and 2008, and Boulder's median home price declined four percent over-the-year.

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

	Quarter 1 2008 (p)	Quarter 4 2007 (r)	Quarter 1 2007	YTD Avg 2008	YTD Avg 2007	YTD Avg % Change	Median 2003	Median 1998
Boulder-Longmont MSA	\$355.7	\$371.1	\$370.7	\$355.7	\$370.7	-4.0%	\$313.0	n/a
Denver-Aurora MSA	\$223.5	\$230.1	\$239.4	\$223.5	\$239.4	-6.6%	\$238.2	\$152.2
United States	\$196.3	\$205.7	\$212.6	\$196.3	\$212.6	-7.7%	\$180.2	\$136.0

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

## Foreclosures

The most recent statistics from California-based RealtyTrac show the number of U.S. properties in some stage of foreclosure rose seven percent between April and May. Viewed another way, the figures suggest the number of properties in foreclosure has nearly doubled since May 2007. RealtyTrac notes that the count of initial default notices rose only one percent between April and May, but the count of repossessed properties increased at a double-digit rate. The RealtyTrac database of repossessed U.S. properties now numbers more than 700,000, according to the company news release.

*Local foreclosure counts are beginning to trend in a more positive direction. Foreclosure filings in Metro Denver declined 13 percent between April and May, and the May total fell 17 percent below filings from the same month last year. May filings in each of the seven Metro Denver counties except Douglas County declined from April, although total filings remained higher than 2007 levels in all but two counties. While the overall improvements in Metro Denver foreclosure activity could indicate a turning point, several more months of positive trends will determine if local foreclosure counts are truly easing.*

# MONTHLY ECONOMIC SUMMARY

## Real Estate Foreclosures

	Month of May-08	Month of Apr-08	Month of May-07	YTD Total 2008	YTD Total 2007	YTD Total % Change
Total Metro Denver*	2,256	2,595	2,728	12,436	11,132	11.7%
Adams County	555	595	656	2,877	2,543	13.1%
Arapahoe County	500	584	414	2,935	2,481	18.3%
Boulder County	96	112	65	486	357	36.1%
Broomfield County	27	30	16	136	95	43.2%
Denver County	541	656	1097	3,172	3,560	-10.9%
Douglas County	210	191	199	1,066	699	52.5%
Jefferson County	327	427	281	1,764	1,397	26.3%

\*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

Nationwide sales of new single-family homes reversed course and declined between April and May. According to the U.S. Department of Commerce, the sales pace of new homes fell 2.5 percent in May to an annual rate of 512,000. As the sales pace slowed, the May inventory of unsold new homes rose to a 10.9-month supply from a 10.7-month supply in April. While new home sales are down over-the-year in every U.S. region, monthly sales trends varied. The May sales pace declined from April in the West (-11.6 percent) and Northeast (-7.9 percent) but increased in the Midwest (+5.1 percent). The pace of new home sales in the South was essentially unchanged in May.

Like the sales pace of new homes, the rate of new housing starts changed course as a decline in May more than reversed a slight gain from April. According to a separate Department of Commerce report, the rate of starts on all types of privately owned housing declined 3.3 percent between April and May and fell 32.1 percent from the May 2007 level. Private housing starts declined the most over-the-year in the Midwest (-50 percent) and South (-32 percent), followed by the West (-31 percent) and Northeast (-11 percent).

Continued slowing in new home construction reflects a number of factors, including weak sales conditions, high costs for building materials, and historically low levels of builder confidence. The National Association of Homebuilders (NAHB)/Wells Fargo Housing Market Index (HMI) returned to a record low of 18 (December 2007) in June. Regional outlooks continue to be mixed, as June confidence readings increased in the Midwest, declined in the Northeast and West, and remained unchanged in the South. Each of the regional indexes, however, remains more than 25 points below the 50-point reading that separates positive from negative outlooks.

*Building activity in Metro Denver tends to fluctuate between months, but the overall pace of construction remains solidly behind that of prior years. Metro Denver jurisdictions issued more permits in April than in March, although permit counts declined on a year-to-date basis for all types of residential buildings except apartments, or multi-family units. In total, the count of Metro Denver building permits issued through the first four months of the year fell 38 percent below permits for the same months in 2007.*

# MONTHLY ECONOMIC SUMMARY

## Residential Building Permits

	Month of Apr-08	Month of Mar-08	Month of Apr-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Total 2003	Total 1998
Single-Family Detached Units	426	309	760	1,405	2,467	-43.0%	12,656	16,058
Single-Family Attached Units	459	86	786	772	1,814	-57.4%	3,755	3,527
Multi-Family Units	243	203	0	1,032	914	12.9%	1,858	7,794
Total Units	1,128	598	1,546	3,209	5,195	-38.2%	18,269	27,379

Source: Home Builders Association of Metro Denver.

## Apartment Rental Market

Metro Denver's apartment vacancy rate declined from 6.1 percent in the fourth quarter of 2007 to 5.9 percent in the first quarter of 2008. The region's first quarter vacancy rate was more than one percentage point lower than the rate from the same period last year and was the lowest first quarter rate since 2001. First quarter vacancy rates across Metro Denver ranged from 5.1 percent in the City and County of Denver to 6.5 percent in Arapahoe County.

Metro Denver average rents were essentially unchanged at \$861 in the first quarter. Rents have risen a moderate 2.2 percent since the first quarter of 2007, with the strongest over-the-year growth in Arapahoe County (+4.7 percent) and the City and County of Denver (+3 percent). Rents rose over 2007 levels in each of the remaining Metro Denver counties except Boulder (-3 percent), where rents have declined over-the-year for three consecutive quarters. While rent growth has been stable across most of Metro Denver, some analysts say rents would need to rise as much as 25 percent to support additional apartment construction as the cost of building materials rises.

## Apartment Statistics

	Quarter 1 2008	Quarter 4 2007	Quarter 1 2007	YTD Average 2008	YTD Average 2007	YTD Average % Change	Annual Average 2003	Annual Average 1998
Apartment Vacancy Rate	5.9%	6.1%	7.1%	5.9%	7.1%		12.0%	4.4%
Average Monthly Rental Rate (all units)	\$861	\$860	\$843	\$861	\$843	2.2%	\$815	\$695

Source: Denver Metro Apartment Vacancy and Rent Survey.

## Commercial Real Estate

The Veterans Administration recently described more detailed plans for a hospital to be located in Aurora at the former site of the Fitzsimons Army Medical Center. The \$548 million project will include 11,000 fewer square feet than planners originally expected, but officials say the veterans' hospital will also lease space from the nearby University of Colorado Hospital at Anschutz Medical Campus.

*Colorado Construction* magazine recently recognized Research Complex 2 – also part of the Anschutz Medical Campus – as Colorado's top construction project for 2008. The winning building will join the 622,000-square-foot Research Complex 1 when construction ends in December of this year.

Other commercial real estate headlines brought positive news for a struggling retail sector. Gart Properties LLC and ING Clarion Partners LLC recently purchased Denver Pavilions and described plans for \$25 million in upgrades and incentives. Gart Properties also owns retail space on the other side of the 16th Street Mall, so the company's recent purchase extends its holdings for nearly three blocks between California Street and Tremont Place.

# MONTHLY ECONOMIC SUMMARY

## Market Overview

Metro Denver's office market weakened in the second quarter as ongoing economic uncertainty limited transactions. According to CoStar Realty Information, Inc., the direct vacancy rate returned to its year-ago level of 12.1 percent from 11.9 percent in the first quarter. Despite slightly higher vacancy, direct average lease rates rose and ended the second quarter at \$21.09 per square foot. New construction continued at an essentially steady pace, with the region's largest projects including 1800 Larimer and 1900 Sixteenth Street in Downtown Denver, Palazzo Verdi in Greenwood Village, and One Lincoln Station in Douglas County. The region's largest deliveries so far this year include the Parkside Office Plaza at Inverness and the Lone Tree Medical Plaza, both in Douglas County.

### Office Market Statistics

	Quarter 2 2008	Quarter 1 2008	Quarter 2 2007	Quarter 2 2006	Quarter 2 2005	Quarter 2 2004
Number of Buildings	4,961	4,934	4,884	4,845	4,786	4,731
Existing Square Feet (millions)	156.1	155.5	154.8	152.9	151.7	150.8
Vacant Square Feet (direct, millions)	18.9	18.4	18.8	19.6	21.5	22.1
Vacancy Rate (direct)	12.1%	11.9%	12.1%	12.8%	14.2%	14.7%
Vacancy Rate (with sublet)	13.1%	12.8%	12.9%	13.9%	15.6%	16.4%
Avg. Lease Rate (direct, per sq. ft, full service)	\$21.09	\$20.74	\$19.69	\$18.01	\$17.01	\$16.89
New Construction Completed (year-to-date)	0.57 MSF, 24 Bldgs	0.08 MSF, 8 Bldgs	0.79 MSF, 19 Bldgs	0.40 MSF, 21 Bldgs	0.30 MSF, 20 Bldgs	0.80 MSF, 18 Bldgs
Currently Under Construction	3.54 MSF, 51 Bldgs	3.49 MSF, 65 Bldgs	2.15 MSF, 88 Bldgs	1.56 MSF, 40 Bldgs	0.86 MSF, 31 Bldgs	0.37 MSF, 21 Bldgs

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

Vacancy and lease rates in Metro Denver's industrial market were essentially flat between the first and second quarters of 2008, according to CoStar Realty Information, Inc. The industrial market direct vacancy rate ended the second quarter at 6.5 percent, and direct average lease rates rose by \$0.07 per square foot to \$5.19. Industrial development activity was also stable between the first and second quarter with projects in Adams County representing 84 percent of the total industrial space under construction. The year-to-date inventory of industrial deliveries rose slightly in second quarter as construction continued at a slow pace.

### Industrial Market Statistics

	Quarter 2 2008	Quarter 1 2008	Quarter 2 2007	Quarter 2 2006	Quarter 2 2005	Quarter 2 2004
Number of Buildings	6,361	6,339	6,302	6,269	6,229	6,191
Existing Square Feet (millions)	207.5	207.0	205.7	203.8	201.7	200.7
Vacant Square Feet (direct, millions)	13.4	13.4	13.1	15.3	15.7	16.5
Vacancy Rate (direct)	6.5%	6.5%	6.4%	7.5%	7.8%	8.2%
Vacancy Rate (with sublet)	6.9%	6.7%	6.5%	7.8%	8.3%	9.2%
Avg. Lease Rate (direct, per square foot, NNN)	\$5.19	\$5.12	\$4.96	\$4.85	\$4.64	\$4.66
New Construction Completed (year-to-date)	0.32 MSF, 12 Bldgs	0.28 MSF, 10 Bldgs	0.65 MSF, 8 Bldgs	1.08 MSF, 14 Bldgs	0.27 MSF, 13 Bldgs	1.22 MSF, 14 Bldgs
Currently Under Construction	1.16 MSF, 20 Bldgs	1.26 MSF, 15 Bldgs	1.87 MSF, 22 Bldgs	1.35 MSF, 14 Bldgs	0.73 MSF, 18 Bldgs	0.58 MSF, 14 Bldgs

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

Direct vacancy rates in Metro Denver's flex market rose to year-ago levels in the second quarter, according to CoStar Realty Information, Inc. Direct average lease rates rose from \$9.33 per square foot in the first quarter to

# MONTHLY ECONOMIC SUMMARY

*\$9.76 per square foot despite slightly higher vacancy levels, and flex market construction activity continued at a steady pace.* The High Point OmniCenter – an office, industrial, and retail project near DIA – accounted for 20 percent of flex market construction in the second quarter.

## Flex Space Statistics

	Quarter 2 2008	Quarter 1 2008	Quarter 2 2007	Quarter 2 2006	Quarter 2 2005	Quarter 2 2004
Number of Buildings	1,318	1,312	1,301	1,291	1,262	1,242
Existing Square Feet (millions)	38.2	38.1	37.7	37.4	36.8	36.5
Vacant Square Feet (direct, millions)	4.8	4.6	4.7	5.1	5.3	5.8
Vacancy Rate (direct)	12.6%	12.2%	12.6%	13.7%	14.5%	15.9%
Vacancy Rate (with sublet)	13.7%	13.2%	13.5%	14.3%	15.8%	17.7%
Avg. Lease Rate (direct, per square foot, NNN)	\$9.76	\$9.33	\$9.03	\$8.49	\$8.22	\$8.31
New Construction Completed (year-to-date)	0.37 MSF, 8 Bldgs	0.26 MSF, 5 Bldgs	0.14 MSF, 5 Bldgs	0.29 MSF, 8 Bldgs	0.10 MSF, 5 Bldgs	0.09 MSF, 3 Bldgs
Currently Under Construction	0.48 MSF, 19 Bldgs	0.35 MSF, 15 Bldgs	0.14 MSF, 7 Bldgs	0.23 MSF, 9 Bldgs	0.22 MSF, 11 Bldgs	0.03 MSF, 2 Bldgs

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

*Metro Denver ranked 17th among 43 national retail markets in Marcus & Millichap's 2008 National Retail Index (NRI). The index measures each market's future supply and demand with factors including employment growth, vacancy rates, and construction trends.* In Metro Denver, analysts expect strong demographic trends and restrained supply-side activity to help the region's retail sector weather a nationwide downturn. A Metro Denver-specific report by Marcus & Millichap also highlights the region's high personal income and new transit developments as features that support healthy retail. Still, tight credit markets and economic uncertainty could delay new developments throughout 2008.

*The Metro Denver retail market direct vacancy rate rose to a recent high of 7.7 percent in the second quarter, according to CoStar Realty Information, Inc. Direct average lease rates rose to \$17.88 per square foot despite the difficult market conditions, but retail construction activity slowed.* Riverpoint at Sheridan, Cornerstar, and Church Ranch Crossing are among the largest retail projects currently under construction in Metro Denver, and Prairie Center and the Shops at Villagio are some of the largest completed so far this year.

*While retail and hotel properties are technically in separate commercial markets, they share the brunt of weak discretionary spending. According to a separate Marcus & Millichap report, hospitality markets nationwide will weaken this year as consumers limit leisure travel and businesses shorten trips to cut costs.* While areas with faster-than-average employment growth – including Metro Denver – will still attract business travel, analysts say growth in revenue per room will likely slow until consumers and businesses regain their confidence.

# MONTHLY ECONOMIC SUMMARY

## Retail Market Statistics

	Quarter 2 2008	Quarter 1 2008	Quarter 2 2007	Quarter 2 2006	Quarter 2 2005	Quarter 2 2004
Number of Buildings	6,219	6,147	6,109	6,034	5,902	5,795
Existing Square Feet (millions)	144.1	142.0	139.5	136.3	129.3	126.7
Vacant Square Feet (direct, millions)	11.1	10.3	9.8	9.9	7.8	7.6
Vacancy Rate (direct)	7.7%	7.3%	7.0%	7.2%	6.0%	6.0%
Vacancy Rate (with sublet)	8.0%	7.4%	7.2%	7.4%	6.3%	6.2%
Avg. Lease Rate (direct, per square foot, NNN)	\$17.88	\$16.93	\$17.40	\$16.64	\$16.24	\$14.55
New Construction Completed (year-to-date)	1.56 MSF, 33 Bldgs	0.20 MSF, 12 Bldgs	0.67 MSF, 16 Bldgs	N/A	N/A	N/A
Currently Under Construction	3.15 MSF, 58 Bldgs	4.40 MSF, 72 Bldgs	5.90 MSF, 71 Bldgs	N/A	N/A	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 increased by 11,000 jobs Apr to May; employment up 1.7% through May 2008.
% Companies Hiring (Denver Area)	↑	↓	32% of companies expect to add workers in Q3 2008.
Unemployment Rate	↑	↑	Metro rate 4.7% in May; YTD avg. rate of 4.6% up from 3.8% in 2007.
Initial Claims	↓	↑	Claims decreased Apr to May; YTD 2008 claims up 17.6% from 2007.
Total Retail Sales	↑	↑	Metro retail up 20.7% from Feb to Mar; YTD sales up 2.7% through Mar 2008.
Consumer Confidence Index	↑	↓	Mountain Region index up to 76.8 in May from 67.5 in Apr; index down 32.5% year-to-date
Hotel Occupancy	↓	↓	Hotel occupancy declined from 67.4% in Apr to 67.3% in May; occupancy down 1.1% YTD
DIA Passengers	↓	↑	Traffic decreased 11.3% Mar to Apr; YTD traffic up 4.1% through Apr 2008.
Bloomberg Colorado Index	↓	↓	Bloomberg Colorado Index down 5.7% from May to Jun; year-to-date return at -6%.
Dow Jones Industrial Average	↓	↓	DOW decreased 10.2% May to Jun 2008; year-to-date return at -14.4%
Home Sales (closed)	↑	↓	Home sales increased 9.4% Apr to May; YTD sales down 8.6% through May.
Median Home Price (Denver-Aurora MSA)	↓	↓	Median home price in Denver MSA decreased to \$223,500 in Q1 2008; YTD price down 6.6%
Foreclosures	↓	↑	Foreclosures declined 13.1% Apr to May; YTD up 11.7% through May 2008.
Residential Building Permits (Total)	↑	↓	Total permits increased between Mar and Apr; YTD down 38.2% through Apr 2008.
Apartment Vacancy Rate	↓	↓	Vacancy rate decreased from 6.1% in Q4 to 5.9% in Q1; avg rental rate at \$861 per month.
Office Vacancy Rate (with Sublet)	↑	↑	Vacancy rate increased to 13.1% in Q2 from 12.8% in Q1; avg lease rate up to \$21.09/sq.ft.
Industrial Vacancy Rate (with Sublet)	↑	↑	Vacancy rate increased to 6.9% in Q2 from 6.7% in Q1; avg lease rate up to \$5.19/sq. ft. (NNN)
Flex Space Vacancy Rate (with Sublet)	↑	↑	Vacancy rate increased to 13.7% in Q2 from 13.2% in Q1; avg. lease up to \$9.76/sq. ft. (NNN)
<i>Positive Changes</i>	<b>9 of 18</b>	<b>4 of 18</b>	



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