



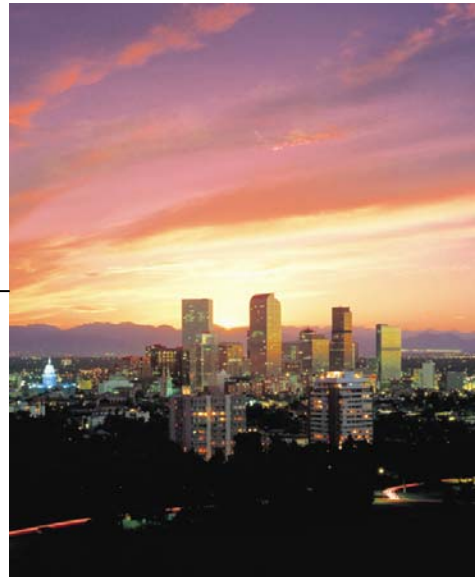
Metro Denver
Economic Development Corporation

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 metro areas have a greater capacity to create and sustain jobs than many cities nationwide, according to the Milken Institute's "2008 Best Performing Cities Index." Criteria for the ranking include job and wage growth plus measures designed to gauge the health of the technology sector. Grand Junction ranked fifth among the nation's 124 smallest metro areas, and Pueblo ranked 43rd. The 200 largest cities ranking also recognized Colorado metros, led by Greeley (20th), the Denver-Aurora region (44th), and the Fort Collins-Loveland area (48th). Boulder and Colorado Springs ranked 95th and 111th, respectively. Analysts say cities with strong export and energy industries widely dominated this year's rankings.
- ◆ Denver ranks third among 50 metropolitan areas in the Beacon Hill Institute's *Metro Area Competitiveness Report 2007*. The report evaluates each metro area's long-term competitiveness based on government and fiscal policy, infrastructure, business incubation, and other criteria. Denver won particularly high ranks for its infrastructure, public safety, human capital, and business incubation.
- ◆ The U.S. Department of Energy (DOE) recently named Colorado among 15 states that will receive grant money for the development and transmission of renewable energy. Colorado's \$397,700 grant will help researchers, utilities, and policymakers explore ways to fully utilize the state's renewable energy capacity. More specifically, the money will help add an additional 1,000 megawatts of renewable energy – enough for roughly 330,000 homes – to the state's power grid. In exchange for the funds, grant recipients are required to submit policy recommendations focused on barriers to and incentives for renewable energy development.
- ◆ Colorado had the nation's fifth-largest concentration of high-tech exports in 2007, according to the *Trade in the Cyberstates 2008* report by AeA. While high-tech exports from Colorado declined 25 percent from 2006, they still totaled \$3.3 billion in 2007 and accounted for 44 percent of the state's total export portfolio. The report also suggests that tech exports support nearly 16,000 jobs statewide.
- ◆ The Denver-Aurora metropolitan statistical area (MSA) had the 18th-largest economy among all U.S. metro areas in 2006, according to recent data from the U.S. Bureau of Economic Analysis. The region generated \$122.4 billion in economic activity – or gross domestic product (GDP) – in 2006, up 3.3 percent from \$118.5 billion in 2005. Nationwide, metro area GDP gains averaged 3.2 percent over-the-year, and strong activity in real estate and financial services at the height of the housing boom drove nearly 40 percent of the growth.
- ◆ *Modern Healthcare* magazine recently named three Metro Denver facilities among the top 100 "Best Places to Work in Healthcare." Poudre Valley Health System in Fort Collins, the Medical Center of Aurora, and Centennial Medical Plaza earned spots in the ranking, which used surveys to evaluate company policies and benefits, training, and other factors.
- ◆ Colorado is no longer one of the nation's top locations for mortgage fraud, according to a recent report by the Mortgage Fraud Institute. The report shows steady improvement in the state's fraud status over the past several years, and local real estate experts link the improvements to tougher regulations for mortgage brokers. Colorado ranked 17th in the nation for mortgage fraud in the 2007 report, down from third in the nation in 2004.

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- ◆ Mayflower Transit's *2008 Customer Relocation Study* shows Colorado had the nation's 15th-largest share of inbound moves through the first eight months of 2008. Slightly more than 55 percent of Colorado shipments over that period were inbound while nearly 45 percent were outbound, which suggests the state is still gaining new residents. The report notes that job changes are still the primary drivers of location decisions, and Kentucky, Vermont, and Washington, DC reported the largest percentages of inbound moves so far this year. At the opposite end of the spectrum, states with large shares of outbound residents include Nebraska, Michigan, New Jersey, and North Dakota.

Special Section – Financial Crisis

Global financial markets have generally struggled since late 2007, but the contraction intensified over the past several months. Faced with a crisis of confidence and tight credit conditions, central banks have placed extra money in financial markets and are exploring ways to blunt the impact of bad debts. These tasks are difficult in themselves, but policymakers are also struggling to gain support from increasingly confused and concerned businesses, consumers, and lawmakers. How did the credit crisis happen, and how does it affect people beyond Wall Street?

- ◆ The housing boom was not merely a U.S. phenomenon. Home prices rose and housing stock grew rapidly in many developed countries, and banks and mortgage companies also expanded their lending portfolios. In many cases, lenders used subprime, variable-rate, and other “exotic” loans to extend credit beyond traditionally qualified borrowers. Many homeowners and real estate investors depended on their ability to sell or refinance to stay ahead of sharp interest rate adjustments.
- ◆ As the market for mortgage credit swelled, new financial instruments designed to distribute risk effectively freed banks to lend more. These instruments included mortgage-backed securities, or bonds backed by residential mortgage payments. Another type of financial instrument, a credit default swap, was often used to help mortgage investors manage risk. Swaps are essentially insurance policies for bonds, and they trade in a large, unregulated market. According to some estimates, the swaps market had grown to a value two-to-three times the size of the entire U.S. stock market in 2007.
- ◆ In theory, new financial instruments could have benefitted the mortgage market by freeing more money for lending. Many traders, however, used these instruments as a way to speculate on the solvency or failure of mortgages. As mortgage-related profits increased, many also used increasing amounts of debt to fund their investments. In other words, many mortgage borrowers took large financial risks, and trading in mortgage-related securities ultimately magnified those risks in financial markets.
- ◆ Rapid rates of home price appreciation were unsustainable. Prices fell in overheated markets, default and foreclosure rates increased, and the balance sheets of many large financial institutions weakened. Fannie Mae and Freddie Mac, the two largest mortgage lenders in the U.S., were some of the first major institutions rendered insolvent by bad mortgage debt. The companies had been heavily involved in mortgage-backed securities and were placed under government conservatorship.
- ◆ Bear Stearns, one of five U.S. investment banks and another heavy trader in mortgage-backed securities, failed in March 2008 when its investors feared the bank lacked the cash to fund its obligations. The bank was purchased by JP Morgan Chase with the help of a \$30 billion loan from the Federal Reserve.
- ◆ Major insurer American International Group (AIG) sold insurance policies – or credit swaps – for bonds and mortgage-backed securities, and other market players traded swaps that insured against a default by AIG. These many transactions essentially created a massive web of obligations payable when the insured assets defaulted, so rising mortgage failures were a major concern in the massive swaps market. When AIG appeared unable to fund its obligations, the company accepted an \$85 billion federal loan and surrendered a majority stake to the government.

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- ◆ Lehman Brothers – a second U.S. investment bank with strong ties to Metro Denver-based Aurora Loan Services – filed for the nation’s largest-ever corporate bankruptcy. Investment bank Merrill Lynch was sold to Bank of America shortly thereafter. Goldman Sachs and Morgan Stanley, the last two of the major investment banks, changed their status to commercial banks so they could accept deposits and raise capital. In short, the model for independent investment banks collapsed within the course of several months.
- ◆ Investment banking functions – which include assistance for companies who need to buy or sell stock or pursue mergers and acquisitions – will still be available. Potentially limited access or higher costs for these essential services, however, could affect businesses, workers, and consumers. If companies cannot effectively sell their stock, for example, they may lack the funds they need to operate. That, in turn, can force business closures and job losses at the local level.
- ◆ As financial institutions continue to unravel their complex, mortgage-related transactions and evaluate their exposure, capital markets are increasingly frozen by a crisis of confidence. Where investors are unwilling to purchase stocks or bonds and banks are unwilling to lend, businesses cannot raise essential funding and municipalities cannot access the money they need to provide services. Investor fears are compounding real exposures, and additional institutions have failed under the extra pressure. Washington Mutual became the largest-ever U.S. bank to fail in late September and brought the total of U.S. banks failed in 2008 to 13. Another troubled bank, Wachovia, is currently involved in sales negotiations.
- ◆ The general lack of financial confidence and liquidity has prompted broad-based – and controversial – efforts to stabilize markets. A stabilization packaged approved by the U.S. Congress after two weeks of debate will allow the U.S. Treasury to purchase bad debts and reverse-auction them to willing buyers. In other words, the government will purchase weak assets and will pay companies who are willing to take them for the lowest price. In exchange, the government will assume a stake in companies receiving aid. The initial cost estimate for the plan was \$700 billion, but additional provisions – including \$100 billion in tax breaks plus a \$150,000 increase in FDIC coverage limits – have added cost.

General Economic Overview

Final estimates of U.S. economic growth in the second quarter of 2008 were weaker than preliminary figures, according to the U.S. Bureau of Economic Analysis (BEA). The BEA reduced its original growth estimate of 3.3 percent by \$12.9 billion, which ultimately means the U.S. economy expanded by 2.8 percent in the second quarter. Analysts say the downward revision primarily reflected reduced estimates for household spending, exports, and business purchases of software and equipment.

While exports have largely supported U.S. GDP growth in recent quarters, they were not strong enough to offset the steady climb of oil prices throughout the summer. According to the U.S. Department of Commerce, the nation’s trade deficit widened to \$62.2 billion in July from \$58.8 billion in June as oil prices dwarfed gains in exports. Trade data also suggest that oil prices are weakening U.S. demand for imports in general, as the nation’s non-petroleum goods deficit in July reached the lowest level since 2002.

While oil prices have retreated from summer highs, their impact on overall inflation is still a major concern for the Federal Open Market Committee of the Federal Reserve (FOMC). The Committee voted in September to keep its target federal funds rate at two percent and chose to approach financial market concerns through emergency liquidity measures. The FOMC next convenes on October 28 and 29.

Economic Indexes

Recent economic indexes reflect the mix of positive and negative trends affecting all types of businesses. Falling prices for oil and other commodities have helped improve the overall business outlook, but tight credit markets

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and cautious consumers are still sources of concern. Note that most economic indexes lag by at least one month, so the results reported here do not necessarily reflect recent financial events.

National Economy

- ◆ The Conference Board's Index of Leading Economic Indicators declined between July and August and extended what analysts say has been a year of generally weak performance. In August, negative movements in the indicators for building permits, unemployment insurance claims, and supplier deliveries offset positive changes in the yield curve and consumer confidence indicators. Analysts say the widespread and prolonged contraction of the various indicators suggests that economic conditions could continue to weaken.
- ◆ The Institute for Supply Management's Purchasing Managers Index fell from 49.9 in August to 43.5 in September. That represents the lowest index level since October 2001 and an abrupt change in the months-long trend of minor shifts. Some respondents said business activity has contracted more than they expected, and others noted that customers are waiting for prices to fall with the declining price of crude oil.
- ◆ The Institute for Supply Management's Index of Non-Manufacturing Business Activity declined from 50.6 in August to 50.2 in September. Still, the index's position above the growth-neutral point of 50 suggests that the nation's service sector is expanding. Respondents' comments were more positive in light of falling prices for oil and other commodities, but tight credit markets and overall economic uncertainty were particularly large concerns for retailers and public administrators.

Local Economy

- ◆ The Vectra Bank Colorado Small Business Index rose from 87.3 in July to 87.6 in August as the stable federal funds rate created more favorable credit conditions for small business borrowers. Analysts note, however, that credit availability – as opposed to interest rates – currently poses one of the greatest business risks.
- ◆ The Mountain States Business Conditions Index declined from 56.4 in August to 56.3 in September but remained above the growth-neutral point of 50. While business indicators for the Mountain region continue to outperform national indicators, the region's business activity still reflects slowing exports, higher prices, and financial concerns at the national level. The Business Conditions Index is released by the Goss Institute for Economic Research.

Labor Force and Employment

Metro Denver employers added 3,800 jobs between July and August. The gain reflected a typical seasonal trend and included jobs added in professional and business services, education and health services, and three of the remaining eight industry supersectors. On a year-to-date basis, each of Metro Denver's 11 industry supersectors has added jobs except manufacturing and financial activities, where job losses through August measured 1.1 percent and 2.1 percent, respectively. The education and health services industry is Metro Denver's fastest growing so far this year (+4 percent year-to-date), followed by leisure and hospitality (+2.7 percent) and professional and business services (+2.5 percent). Overall, Metro Denver job growth across all industries totaled 1.5 percent through the eight months ended in August. Statewide job growth measured 1.6 percent through August, and the national average growth rate totaled 0.2 percent.

While job losses in the private sector have recently dominated labor market news, the combined impacts of higher borrowing and building costs and lower tax revenues are now threatening public sector employment. According to a recent report by the National League of Cities, 64 percent of U.S. city finance officers expected fiscal problems to increase through 2008 and 2009. Fiscal concerns are also increasing at the state level, particularly over the past several weeks. Colorado Governor Bill Ritter, for example, recently announced a hiring freeze for state employees and a delay on state-funded construction projects. Fiscal problems appear even more severe in California, where government officials say they may need federal financial assistance to maintain operations.

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Overall, employment data suggest the Colorado and Metro Denver economies are not immune to the challenges seen nationwide. At the same time, several high-profile grant awards highlight the local economy's continually competitive position in a difficult environment.

Aerospace: The Laboratory for Atmospheric and Space Physics at the University of Colorado-Boulder and Jefferson County-based Lockheed Martin Space Systems will partner on a \$485 million NASA mission to Mars. The university team will lead the mission as its principal investigator, and spokespeople say the research contract is the largest of its kind ever received at CU. The university will receive about \$60 million of the grant, and roughly \$120 million will go to Lockheed Martin for the construction of the mission's spacecraft. Called MAVEN, the five-foot spacecraft will launch in 2013 and orbit Mars when it arrives at the planet in 2015. Spokespeople say the mission will focus on the planet's atmosphere and climate change.

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

	Month of Aug-08 (p)	Month of Jul-08	Month of Aug-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*	1,433.7	1,429.9	1,417.2	1,418.8	1,398.2	1.5%	-1.4%	4.0%
Denver-Aurora MSA	1,266.7	1,263.2	1,253.0	1,251.5	1,233.4	1.5%	-1.2%	4.0%
Boulder-Longmont MSA	167.0	166.7	164.2	167.4	164.7	1.6%	-2.8%	4.0%
Natural Resources & Construction	103.1	102.7	103.8	99.2	98.7	0.5%	-7.1%	11.9%
Manufacturing	88.3	88.7	89.8	88.2	89.1	-1.1%	-4.9%	1.4%
Wholesale & Retail Trade	216.9	216.2	216.2	215.7	214.0	0.8%	-1.9%	3.0%
Transp., Warehousing & Utilities	52.4	52.6	52.3	52.4	51.8	1.0%	-8.0%	15.8%
Information	57.6	57.3	57.5	56.9	56.9	0.0%	3.4%	6.1%
Financial Activities	106.4	106.4	107.9	105.4	107.6	-2.1%	-1.3%	3.3%
Professional & Business Services	251.6	249.3	247.4	245.9	239.9	2.5%	2.6%	2.3%
Education & Health Services	153.1	152.2	146.6	151.6	145.8	4.0%	-0.6%	2.1%
Leisure & Hospitality	155.2	155.4	152.5	149.1	145.2	2.7%	-0.4%	2.1%
Other Services	53.7	53.7	52.7	52.9	52.1	1.5%	0.2%	2.0%
Government	195.4	195.4	190.5	201.7	197.1	2.3%	0.5%	0.2%
Federal Gov't	30.3	30.6	30.6	30.2	30.6	-1.4%	-2.9%	1.8%
State & Local Gov't	165.1	164.8	159.9	171.5	166.5	3.0%	1.4%	2.7%
Colorado	2,377.3	2,373.0	2,350.6	2,355.4	2,317.7	1.6%	-1.4%	3.9%
United States	137,121	137,208	137,524	137,316	137,060	0.2%	-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

Aviation: Denver International Airport (DIA) spokespeople say uncertainty in the aviation industry has forced a delay in the \$280 million expansion plan for Concourse C. The expansion would add 10 gates plus additional restrooms and concession areas, but fuel prices, airline consolidation, and reduced flight schedules have made the need for DIA gate space more difficult to measure. Officials say additional gates returned by Frontier Airlines will help ease space concerns until expansion plans are finalized.

The largest carrier at DIA, United Airlines, has met one of its job reduction targets without layoffs thanks to employee furloughs. Flight attendants were offered furloughs when United announced plans to cut more than

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1,500 attendant positions company-wide, and 132 employees in Denver accepted the concessions. Flight attendants will continue to receive medical and other benefits when the furloughs begin on November 1 and could be recalled in six to 21 months.

Further changes for United will affect some of the airline's computerized services. Travelport, the company that operates United's automated ticketing and check-in systems, plans to move its data center from Denver to Atlanta. Spokespeople say the move should mean better service for United passengers, as the company will occupy a new space in Atlanta and plans to upgrade the airline's systems. They also claim none of Travelport's 400 local jobs will be lost as the Denver facility will remain open and serve a different unit of the company.

Other announcements from United Airlines include the carrier's plans to double its second checked bag fee effective November 10. As of that date, United passengers will pay \$15 for the first checked bag and \$50 for the second, up from \$15 and \$25, respectively. Airline officials say revenue considerations are driving the new fee structure.

Denver-based Frontier Airlines is also enacting a new baggage fee structure. The airline had previously imposed a second-bag charge of \$25 per piece, but spokespeople say an additional charge of \$15 for the first checked bag is now necessary to increase company revenue in a competitive Denver market. The new fees take effect November 1.

Other announcements show Frontier working to continue with its normal course of business. Lynx Aviation, a Frontier subsidiary, will fly three times daily from Denver to Steamboat Springs beginning December 18, and the seasonal service will continue through late April. Spokespeople say the turboprop planes will have several seats removed to accommodate skis and snowboards. They also note that Frontier customers will have the opportunity to rent ski equipment, purchase lift tickets, and make other arrangements for ski vacations when they book flights. The airline has paired with Aspen-based Ski.com to offer the services, which will cover 21 resorts in Colorado, Utah, New Mexico, Idaho, and Montana.

Bioscience: Broomfield-based Arca Biopharma Inc. will merge with California-based Nuvelo Inc. early next year, company spokespeople say. Arca recently submitted its heart failure drug Gencaro for federal review, and spokespeople say the merger will help the company continue operations while it waits for approval. The combined company will be headquartered in Broomfield and will keep the Arca Biopharma name.

Energy: Texas-based Anadarko Petroleum Corporation will donate \$1 million for the construction of a petroleum engineering building at the Colorado School of Mines in Golden. More specifically, half of the donation will be used for building construction and half will be used to support graduate fellowships, lectures, and fieldwork associated with the school's Department of Geology and Geological Engineering.

The Colorado School of Mines will also receive \$9.3 million in grant money from the National Science Foundation (NSF) to establish a renewable energy research center. The NSF grant is the first of its kind ever received at the School of Mines, and the new center will be the first NSF facility fully dedicated to renewable energy. Research at the new center will involve scientists from the National Renewable Energy Laboratory in Golden and will focus on increasing efficiencies of solar and fuel cells.

The University of Colorado will also receive an NSF grant to support continued work at its Liquid Crystal Materials Research Center. Spokespeople say the \$7.2 million grant will help researchers find ways to use liquid crystal materials to increase the efficiency of solar heating. The research center has already generated six spin-off companies.

Metro Denver's private sector solar energy companies are also growing and changing. Littleton-based Ascent Solar Technologies Inc. is preparing to expand in the European market, say company spokespeople. Ascent recently finalized a cooperative agreement with a Spanish building materials manufacturer and will work to incorporate photovoltaic modules into the company's existing roof products.

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Maryland-based SunEdison LLC is growing its operations locally with a new office in Westminster. The solar energy company will manage system delivery, operations, and regulatory affairs for facilities in Colorado, Arizona, and other states from the local office.

Financial Services: Many of the roughly 500 Colorado employees of investment bank Merrill Lynch will keep their jobs when Bank of America completes its acquisition, according to bank officials. Bank of America has reportedly tried to expand its wealth management business and may now have the employees to do so, as many of Colorado's Merrill Lynch workers served as financial advisors.

IT/Hardware: California-based Hewlett-Packard will reduce its global workforce by 7.5 percent as it integrates the recently purchased Electronic Data Systems Corporation (EDS). Hewlett-Packard spokespeople say roughly half of the reductions will occur in the U.S., but they did not describe specific impacts on the company's 2,000-person campus in Fort Collins or its other local offices in Colorado Springs and Littleton. Other reports suggest that most job cuts will affect the staff of EDS, which has local offices in Colorado Springs, Lakewood, and Louisville. Overall, officials say the restructuring will save \$1.8 billion each year and will help the company offer more competitive products and services.

Hewlett-Packard also hopes to expand its data storage customer base through the acquisition of Boulder-based LeftHand Networks Inc. The transaction is expected to close early next year, and officials say LeftHand – which currently employs 215 workers – will stay in Boulder.

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 surveyed 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.

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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.

The Metro Denver unemployment rate rose from 5.2 percent in July to 5.3 percent in August. Unemployment rate trends were similar in each of the seven Metro Denver counties, and rates ranged from 4.6 percent in Boulder County to 5.9 percent in the City and County of Denver. On a year-to-date basis, unemployment rates in Metro Denver and Colorado have risen roughly one percentage point above last year's levels. The national unemployment rate averaged 5.5 percent through the first eight months of the year, compared to 4.7 percent in the same months of 2007.

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

	Aug 2008 (p)		2008 YTD Avg		2007 YTD Avg		2003 Ann Avg	1998 Ann Avg
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Unemployment Rate	Unemployment Rate
Metro Denver	1,546.4	5.3%	1,548.6	4.9%	1,512.1	3.8%	6.4%	2.9%
Adams County	227.4	5.8%	227.6	5.4%	222.3	4.3%	7.2%	3.6%
Arapahoe County	317.7	5.4%	317.4	4.9%	309.8	3.8%	6.3%	2.7%
Boulder County	176.9	4.6%	178.8	4.2%	174.7	3.3%	5.8%	3.3%
Broomfield County*	26.6	5.2%	26.7	4.8%	26.0	3.8%	6.4%	
Denver County	321.0	5.9%	320.9	5.4%	313.0	4.2%	7.3%	4.1%
Douglas County	158.5	4.7%	158.6	4.3%	154.8	3.1%	5.3%	1.7%
Jefferson County	318.2	5.0%	318.5	4.6%	311.4	3.7%	5.9%	2.8%
Colorado	2,766.8	5.2%	2,757.3	4.8%	2,687.7	3.8%	6.1%	3.8%
United States	155,387	6.1%	154,118	5.5%	152,854	4.7%	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

The number of unemployment insurance claims in Metro Denver continued to rise in August. Slightly fewer than 1,400 claims have been filed so far this year, compared to approximately 1,100 claims in the same months of 2007. That amounts to a 22.3 percent increase and a slightly larger shift than the 20.1 percent increase reported statewide.

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Weekly First-Time Unemployment Insurance Claims

	Month of Aug-08	Month of Jul-08	Month of Aug-07	YTD Avg 2008	YTD Avg 2007	YTD Avg % Change
Metro Denver	1,439	1,374	1,042	1,374	1,124	22.3%
Colorado	2,446	2,305	1,739	2,427	2,021	20.1%

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

Consumer Sector

The latest holiday spending forecasts project weaker sales, but they disagree on the extent of the weakness. Forecasts recently released by Deloitte Research and TNS Retail Forward predict the slowest holiday sales season since 1991. A different measure released by the National Retail Federation predicts holiday sales will decelerate to their slowest pace since 2002. And locally, the Colorado Retail Council expects 2008 sales to increase by two percent, which is significantly below the 10-year average of 4.4 percent.

While projections of the retail slowdown vary, analysts agree that a weak sales season will mean more pre-Thanksgiving bargains, leaner inventories, and limited holiday hiring. According to employment consulting firm Challenger, Gray, & Christmas, 2008 could be the weakest year for holiday hiring since 2001. Consultants predict that U.S. retailers will add fewer than 600,000 positions this holiday season, compared to more than 727,000 workers in a typical year.

Slower foot traffic is already forcing price reductions for some retailers. Atlanta-based Home Depot recently announced plans to lower prices anywhere from five to 50 percent on as many as 1,200 items. Company spokespeople say the new prices will remain effective at least through the next quarter and are designed to help the Home Depot recapture market share lost to competitors Lowe's and Wal-Mart.

While more bargain prices should help draw consumers, price volatility and broad economic concerns will keep buyers cautious. Oil prices have been extremely volatile over the past month as financial uncertainty changes expectations of fuel demand on an almost daily basis. Investors using oil and other commodities as a hedge against inflation have also depressed prices as they sell and seek safer assets. While oil prices hover around \$100 per barrel, though, U.S. motorists have enjoyed a respite from record high gas prices. According to the AAA *Daily Fuel Gauge Report*, the U.S. average price per gallon of regular gasoline was \$3.63 as September ended. In Colorado, the price per gallon averaged \$3.59 in late September, while Metro Denver motorists paid an average of \$3.52 per gallon.

Fluctuating energy prices are also changing wintertime projections of home heating bills. Initial estimates of the increase in Metro Denver bills ranged from 30 to 50 percent, but analysts say recent changes in the energy market could make for a smaller spike. Spokespeople for Xcel Energy say third quarter natural gas bills for homes and small businesses could actually decline by 14 percent from second quarter as a maintenance shutdown on the Rockies Express Pipeline keeps natural gas in Colorado. Declining natural gas prices nationwide will also help limit the increase in third quarter bills. Even with the positive developments, though, energy prices remain near record highs. Overall, analysts say Metro Denver homeowners should expect their winter gas and electricity bills to rise 12 percent from last year's level.

While lower oil prices have a relatively immediate impact on the cost of gasoline and home heating, cost increases for food and other essentials take longer to unwind. The U.S. Bureau of Labor Statistics' August Consumer Price Index (CPI-U) declined slightly between July and August but remained 5.4 percent ahead of the index from August 2007. The energy subindex also declined in August but remained more than 27 percent ahead

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of the year-ago reading, and food prices continued to rise at a slightly slower pace. In short, U.S. consumer prices remain noticeably elevated but have eased slightly with the lower price of oil.

Inflation continues to dampen retail sales activity, but sales gains in Metro Denver have still managed to stay ahead of prices. The region's retail sales followed a typical seasonal pattern and declined between June and July, but sales through the first seven months of the year remained almost five percent ahead of sales from the same months of 2007. On a year-to-date basis, retail sales declined in Arapahoe County and the City and County of Broomfield, but sales in the remaining five Metro Denver counties increased anywhere from 2.2 percent in Douglas County to 16.6 percent in Adams County.

Total Retail Sales (\$000s)

	Month of Jul-08	Month of Jun-08	Month of Jul-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Annual Growth 2003	Annual Growth 1998
Total Metro Denver	7,640,841	8,184,389	6,966,045	50,725,133	48,363,646	4.9%	1.6%	8.2%
Adams County	1,567,570	1,330,211	1,145,294	9,150,870	7,849,183	16.6%	6.0%	9.2%
Arapahoe County	1,392,109	1,583,960	1,487,515	9,890,516	10,470,599	-5.5%	1.6%	6.8%
Boulder County	645,255	929,778	659,130	4,711,638	4,509,849	4.5%	4.4%	11.0%
Broomfield County	134,563	149,599	132,622	905,072	952,491	-5.0%	-6.5%	
Denver County	2,265,901	2,381,117	1,967,388	14,838,360	13,679,265	8.5%	-1.6%	7.9%
Douglas County	523,039	603,206	519,659	3,633,449	3,556,604	2.2%	-2.7%	15.7%
Jefferson County	1,112,404	1,206,518	1,054,437	7,595,228	7,345,655	3.4%	4.6%	5.9%
Colorado	12,950,831	13,871,507	12,138,920	85,560,664	81,503,752	5.0%	1.6%	6.9%

Source: Colorado Department of Revenue.

Consumer confidence at both the regional and national levels improved between July and August. On a year-to-date basis, however, The Conference Board's Mountain region and U.S. Consumer Confidence indexes fell 37.2 percent and 41.2 percent below last year's levels, respectively. While slight improvements over the past several months theoretically predict better conditions in the near term, continued improvements in the confidence readings seem unlikely given the current financial turmoil.

Consumer Confidence Index

	Month of Aug-08 (p)	Month of Jul-08	Month of Aug-07	YTD Avg 2008	YTD Avg 2007	YTD Avg % Change	Ann Avg 2003
Mountain	80.8	69.0	129.9	85.5	136.0	-37.2%	89.4
United States	56.9	51.9	105.6	63.8	108.4	-41.2%	79.8

Source: The Conference Board. (p) = preliminary

The August hotel occupancy rate for Metro Denver rose more than two percentage points over-the-year as the Democratic National Convention increased hotel traffic. The 26.5 percent increase in average room rates between August 2007 and August 2008 also reflects strong convention activity. Overall, the Metro Denver occupancy rate declined 0.6 percent through the eight months ended in August due to slightly slower hotel traffic in early 2008, but average room rates increased 7.8 percent.

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Metro Denver Hotel Statistics

	Month of Aug-08	Month of Jul-08	Month of Aug-07	YTD Avg 2008	YTD Avg 2007	YTD Avg % Change	Annual 2003	Annual 1998
Percent of Hotel Rooms Occupied	78.3%	80.4%	76.0%	68.5%	68.9%	-0.6%	59.5%	70.0%
Average Hotel Room Rate	\$143.53	\$116.77	\$113.44	\$119.20	\$110.62	7.8%	\$84.79	\$87.52

Source: Rocky Mountain Lodging Report.

Passenger traffic at Denver International Airport continues to increase, although growth rates in 2008 have moderately slightly from last year. Passenger traffic through the first seven months of the year increased at a 4.2 percent rate, compared to growth rates closer to 4.5 and even five percent in 2007.

Denver International Airport Passengers

	Month of Jul-08	Month of Jun-08	Month of Jul-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Annual 2003	Annual 1998
Number of Airline Passengers	5,000,505	4,829,829	4,821,082	30,551,725	29,315,273	4.2%	37,505,138	36,831,400

Source: Denver International Airport, Traffic Statistics.

The Dow Jones Industrial Average (DJIA) dropped by the largest single-day amount ever – 777 points – on September 29. According to some reports, roughly \$1.2 trillion in market value was lost as the DJIA fell on news of the rejected market stabilization plan. In another dramatic swing, markets regained roughly half of their loss the following day as investors hoped for a new workout measure. In the meantime, year-to-date returns declined to -18.2 percent for the DJIA, -20.7 percent for the S&P 500, and -21.5 percent for the NASDAQ. The stock value of Colorado companies fell further, and the Bloomberg Colorado Index ended September with a year-to-date return of -26.9 percent. Stock markets experienced more dramatic volatility as October began.

Stock Market Indexes

	Month of Sep-08	Month of Aug-08	Month of Sep-07	YTD Return 2008	YTD Return 2007	YTD Return 2006
Bloomberg Colorado	328.9	387.6	451.3	-26.9%	18.0%	6.2%
S&P 500	1,164.7	1,282.8	1,526.8	-20.7%	7.6%	7.0%
NASDAQ	2,082.3	2,367.5	2,701.5	-21.5%	11.8%	2.4%
DJIA (Dow Jones)	10,850.7	11,543.6	13,895.6	-18.2%	11.5%	9.0%

Sources: Bloomberg.com, Yahoo! Finance.

Residential Real Estate

A midyear report by the Genesis Group suggests the credit crisis will quicken what would have been a slower descent to the bottom of Metro Denver's housing market. Market fundamentals – including home prices, inventory, and job growth – are already stronger in Metro Denver than they are nationwide, so the report also predicts the local market will be one of the first to improve in 2009. The report notes, however, that “better” conditions in the aftermath of the housing fallout will likely mean more stable home prices and sales rather than a rapid return to a pre-crisis market.

Foreclosure remediation will be a key factor in the return to stability. Lawmakers hope the Housing and Economic Recovery Act of 2008 – new legislation that took effect October 1 – will help provide a number of local resources for foreclosure prevention and recovery. Under one arm of the program, Colorado housing officials will receive \$53 million in community block grants from the U.S. Department of Housing and Urban Development (HUD), and the grants will be used to rehabilitate or purchase foreclosed and abandoned homes.

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The Colorado Division of Housing and officials in Denver, Adams County, Aurora, and Colorado Springs will receive funding.

A second program under the Housing Recovery Act – called Hope for Homeowners – also took effect in early October. Under the program, distressed borrowers with loans written on or before January 1, 2008 may be able to trade their existing mortgage for a more affordable, fixed-rate loan backed by the Federal Housing Administration (FHA). If a lender agrees to participate in the voluntary program, the FHA will pay off the borrower's original mortgage. Government estimates suggest the program could help as many as 400,000 homeowners, but analysts are not sure how many lenders will participate.

Home Resales

The pace of U.S. existing home sales slowed in August and nearly reversed an improvement from the prior month. According to the National Association of Realtors, the sales pace for all types of existing homes slowed by 2.2 percent between July and August and fell 10.7 percent below the sales pace from August 2007. NAR analysts say low interest rates and prices are creating an ideal environment for home sales, but increasingly tight credit markets are thwarting attempts to finance buyers. August home sales trends varied considerably across the U.S., with the sales pace up over-the-year in the West (+4.9 percent) and down anywhere from 12 to 15 percent in the Midwest, South, and Northeast.

In Metro Denver, home sales through the first eight months of 2008 fell roughly seven percent below sales from the same months in 2007. The region's count of closed home sales declined between July and August after six month-to-month increases, and the number of homes under contract fell for the third consecutive month. In a more positive trend, the region's inventory of unsold homes declined 20 percent on a year-to-date basis. Metro Denver average sales prices remain below last year's levels, although the price gap between 2007 and 2008 has been fairly stable in recent months. Specifically, the Metro Denver average sales price for single-family homes was down 11.7 percent through August, while the average sales price of condominiums declined four percent year-to-date.

Previously-Owned Home Sales Activity

	Month of Aug-08	Month of Jul-08	Month of Aug-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Ann Avg 2003	Ann Avg 1998
Home Sales (Under Contract)	5,590	5,878	5,325	45,951	45,281	1.5%	29,703	40,916
Home Sales (Closed)	4,542	5,123	5,010	33,136	35,503	-6.7%	47,966	45,951
Unsold Homes on Market	24,648	25,673	30,827	24,648	30,827	-20.0%	24,660	12,583
Average Sales Price-Single Family	\$284,531	\$283,860	\$329,783	\$279,509	\$316,422	-11.7%	\$277,856	\$185,785
Average Sales Price-Condo	\$173,823	\$169,474	\$182,741	\$175,075	\$182,340	-4.0%	\$175,215	\$115,235
Median Sales Price-Single Family	\$225,000	\$229,200	\$257,500	\$225,000	\$250,000	-10.0%	\$230,000	
Median Sales Price-Condo	\$140,000	\$149,000	\$152,500	\$140,000	\$153,900	-9.0%	\$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

According to the NAR, the national median home price for all types of existing homes was \$203,100 in August, or 9.5 percent less than the median from August 2007. Analysts say foreclosures still represent a disproportionate share of home sales and are heavily influencing median prices. Accelerating home sales in the West and other areas with large price declines could also be skewing the national median, they say. August median prices were down the most from 2007 in the West (-23.9 percent), followed by the Midwest (-5.6 percent), the Northeast (-3.8 percent), and the South (-3.4 percent).

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While Metro Denver is part of the West, its home price trends starkly contrast with those of many other western metros. According to the July S&P/Case-Shiller Home Price Indices, for example, annual depreciation levels remain near 30 percent in Las Vegas, Los Angeles, and Phoenix. The Denver index showed annual depreciation of 4.7 percent in July, and the index was one of five to report consistent gains over the past several months. While the S&P/Case-Shiller report stops short of identifying a home price turnaround in any city, it notes that the national rate of price decline has slowed.

A different measure shows the decline in U.S. home prices continued essentially uninterrupted through the first half of 2008. According to preliminary figures from the National Association of Realtors, the U.S. median home price showed a typical seasonal pattern and increased between the first and second quarters. The second quarter median, however, fell 7.6 percent below the year-ago figure. A year-to-date analysis shows similar results and suggests U.S. median home prices through the first half of the year declined 7.7 percent from prices in the same months of 2007. Median home prices for the Denver-Aurora and Boulder Longmont MSAs also showed seasonal increases between the first and second quarters of 2008. The long-run decline in Denver-area prices, however, appears to have accelerated. Specifically, the second quarter median home price for the Denver-Aurora MSA fell 11.8 percent below the year-ago figure, and the Boulder median price declined 2.2 percent over the year. Overall, Denver-Aurora median home prices through the first half of 2008 averaged \$225,200 in a 9.3 percent decline from 2007. Boulder prices averaged \$375,100 in a 3.1 percent year-to-date decline.

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

	Quarter 2 2008 (p)	Quarter 1 2008 (r)	Quarter 2 2007	YTD Avg 2008	YTD Avg 2007	YTD Avg % Change	Median 2003	Median 1998
Boulder-Longmont MSA	\$375.1	\$355.7	\$383.7	\$365.4	\$377.2	-3.1%	\$313.0	n/a
Denver-Aurora MSA	\$225.2	\$223.5	\$255.2	\$224.4	\$247.3	-9.3%	\$238.2	\$152.2
United States	\$206.5	\$196.1	\$223.5	\$201.3	\$218.1	-7.7%	\$180.2	\$136.0

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

Foreclosures

While the count of U.S. foreclosure filings increased between July and August, data from California-based RealtyTrac suggest that the foreclosure trend may be slowing. The August count of filings for all stages of foreclosure was up 27 percent over-the-year, but analysts note filings for earlier months in 2008 exceeded year-ago levels by as much as 50 to 60 percent. The pace of increase in initial default filings has also slowed, which suggests that legislation designed to help homeowners avoid foreclosure may be helping in some areas. Overall, roughly 303,900 U.S. households received some sort of foreclosure filing in August, which amounts to a rate of one filing for every 416 households.

The count of Metro Denver foreclosure filings declined dramatically between July and August. Filings in each of the seven counties fell anywhere from 35.7 percent in Adams County to 68.5 percent in the City and County of Denver, and Metro Denver's total foreclosure count through the first eight months of 2008 declined 1.7 percent from the same months of 2007. Local jurisdictions are still reporting foreclosures, but the activity is noticeably slower and the market appears to be stabilizing.

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Real Estate Foreclosures

	Month of Aug-08	Month of Jul-08	Month of Aug-07	YTD Total 2008	YTD Total 2007	YTD Total % Change
Total Metro Denver*	960	2,095	2,269	17,723	18,038	-1.7%
Adams County	328	510	470	4,192	4,122	1.7%
Arapahoe County	167	454	608	4,134	4,119	0.4%
Boulder County	46	108	103	733	611	20.0%
Broomfield County	9	25	25	186	158	17.7%
Denver County	148	470	609	4,398	5,617	-21.7%
Douglas County	111	176	164	1,522	1,140	33.5%
Jefferson County	151	352	290	2,558	2,271	12.6%

*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 annual rate of new, single-family home sales reversed an improvement from July and slowed in August. The August annual rate of 460,000 new home sales was down 11.5 percent from the July sales pace and 34.5 percent from the sales pace of August 2007. The rate of new home sales has declined significantly from last year in all U.S. regions, but the sales slowdown has been steepest in the West (-50 percent) and Northeast (-45.8 percent). In the Midwest and South, the August annual rates of new home sales were down from 2007 by 39.3 percent and 24.4 percent, respectively.

Recent residential construction activity reflects the bleak sales figures. A separate Department of Commerce report shows the rate of starts for all types of privately owned housing declined 6.2 percent between July and August and fell 33.1 percent below starts from August 2007. A large increase in multi-family construction continues to strengthen housing starts in the Northeast, where August housing starts rose 56 percent over starts from August 2007. In the remaining regions, though, August starts declined from 2007 levels by anywhere from 32 to 45 percent.

The National Association of Homebuilders (NAHB)/Wells Fargo Housing Market Index (HMI) shows builder confidence improving in early September. At the time of the confidence survey, builders expressed optimism over newly approved tax credits for first-time homebuyers as well as the potential for more stable interest rates with the government takeover of Fannie Mae and Freddie Mac. Given these positive developments, the HMI rose to 18 in September from a record low of 16 in August. More recent comments from the NAHB, however, indicate renewed concern over frozen credit markets and continually weak new home sales.

The pace of local building activity slowed further in August. Metro Denver jurisdictions issued roughly 560 building permits that month, and total permits issued through the first eight months of 2008 declined 35.5 percent from the same period in 2007. Permits for multi-family construction have more than doubled so far this year, but tighter financing for new projects could limit multi-family building activity as 2008 ends.

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Residential Building Permits

	Month of Aug-08	Month of Jul-08	Month of Aug-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Total 2003	Total 1998
Single-Family Detached Units	309	389	658	2,893	5,542	-47.8%	12,656	16,058
Single-Family Attached Units	105	45	328	1,100	3,783	-70.9%	3,755	3,527
Multi-Family Units	148	538	60	2,878	1,332	116.1%	1,858	7,794
Total Units	562	972	1,046	6,871	10,657	-35.5%	18,269	27,379

Source: Home Builders Association of Metro Denver.

Apartment Rental Market

Metro Denver's apartment vacancy rate rose unexpectedly between the first and second quarters of 2008, and analysts say the increase could reflect the tendency for families and friends to share housing in difficult economic times. Vacancy rates generally decline in the second quarter as students graduate and find their own housing, but the Metro Denver average vacancy rate rose to 6.2 percent from 5.9 percent in the first quarter. Vacancy rates rose in each Metro Denver county except Arapahoe County, where the second quarter vacancy rate declined to 5.9 percent from 6.5 percent in the first quarter. While some analysts view the higher vacancy rate as cause for concern, others note that limited new housing stock in Metro Denver should help support a healthy apartment market going forward.

Average rent increases remain strong despite weaker vacancy trends. The Metro Denver monthly average lease rate rose from \$861 in the first quarter to \$886 in the second quarter, and Adams and Denver Counties reported the largest rent increases between quarters. Higher rents and higher vacancy could suggest that some landlords exchanged more empty units for higher prices, analysts say.

Apartment Statistics

	Quarter 2 2008	Quarter 1 2008	Quarter 2 2007	YTD Average 2008	YTD Average 2007	YTD Average % Change	Annual Average 2003	Annual Average 1998
Apartment Vacancy Rate	6.2%	5.9%	6.2%	6.1%	6.7%		12.0%	4.4%
Average Monthly Rental Rate (all units)	\$886	\$861	\$864	\$874	\$853	2.4%	\$815	\$695

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

Even in an increasingly weak retail environment, some stores are moving ahead with expansion plans. Spokespeople for Miami-based extreme sports retailer Adrenalina say the company will open a store in the Cherry Creek Mall by December. The 15,000-square-foot store will offer sports apparel and equipment, and customers will be able to test surfboards on a wave simulation machine the company calls "FlowRider."

New tenants will also occupy space in the FlatIron Crossing shopping mall in Broomfield. The former Lord & Taylor store will be subdivided and reoccupied by three tenants, two of which are clothing retailer Forever 21 and home accessories seller The Container Store. FlatIron spokespeople have not yet announced a third tenant, but they say the two stores should open in the summer of 2009. They also unveiled redevelopment plans for The Village at FlatIron Crossing, an open-air shopping pavilion adjacent to the mall. If the Broomfield City Council approves the construction plans, the new pavilion will include a boutique hotel, a new road, and improvements to address expansive soil problems.

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Another mall redevelopment, The Gardens on Havana, has also added new tenants. Phoenix-based Sprouts Farmers Market will lease a 26,000-square-foot space in the Gardens, which is located at the site of the former Buckingham Square Mall in Aurora. Spokespeople say the new store will open in the summer of 2009, and other Metro Denver Sprouts stores will open in Westminster and Parker this year and in Fort Collins next year.

Plans for new retail are also underway in Centennial. Swedish home furnishings retailer IKEA recently announced plans to build a 400,000-square-foot store on 13.5 acres near Park Meadows Mall, and construction could begin sometime over the next several years. IKEA spokespeople say the store will employ 400 workers and will draw customers from a five-state area.

Market Overview

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 third quarter. Despite weaker fundamentals, Metro Denver office market construction continued in 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 Palazzo Verdi and 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	0.57 MSF	1.06 MSF	0.96 MSF	0.50 MSF	1.05 MSF
	44 Bldgs	24 Bldgs	39 Bldgs	33 Bldgs	31 Bldgs	31 Bldgs
Currently Under Construction	3.41 MSF	3.54 MSF	2.94 MSF	1.77 MSF	1.21 MSF	0.82 MSF
	54 Bldgs	51 Bldgs	74 Bldgs	48 Bldgs	32 Bldgs	27 Bldgs

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

Like the Metro Denver office market, the region's industrial market lost some of its momentum in the third quarter. 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.

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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. 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

Metro Denver retail market activity is sluggish, but vacancy rates have remained slightly below the national average. 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.

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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	1.56 MSF	1.04 MSF	3.47 MSF		
	73 Bldgs	33 Bldgs	26 Bldgs	34 Bldgs	N/A	N/A
Currently Under Construction	2.94 MSF	3.15 MSF	5.94 MSF	4.23 MSF		
	72 Bldgs	58 Bldgs	127 Bldgs	62 Bldgs	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 3,800 jobs Jul to Aug; YTD employment up 1.5% through Aug 2008.
% Companies Hiring (Denver Area)	↔	↓	32% of companies expect to add workers in Q4 2008.
Unemployment Rate	↑	↑	Metro rate 5.3% in Aug; YTD avg. rate of 4.9% up from 3.8% in 2007.
Initial Claims	↑	↑	Claims increased Jul to Aug; YTD claims up 22.3% through Aug 2008.
Total Retail Sales	↓	↑	Metro retail sales down 6.6% from Jun to Jul; YTD sales up 4.9% through Jul 2008.
Consumer Confidence Index	↑	↓	Mountain Region up to 80.8 in Aug from 69 in Jul; index down 37.2% year-to-date
Hotel Occupancy	↓	↓	Hotel occupancy decreased from 80.4% in Jul to 78.3% in Aug; occupancy down 0.6% YTD
DIA Passengers	↑	↑	Traffic increased 3.5% Jun to Jul; YTD traffic up 4.2% through Jul 2008.
Bloomberg Colorado Index	↓	↓	Bloomberg Colorado Index down 15.1% from Aug to Sep; year-to-date return at -26.9%.
Dow Jones Industrial Average	↓	↓	DOW decreased 6% Aug to Sep; year-to-date return at -18.2%
Home Sales (closed)	↓	↓	Home sales decreased 11.3% Jul to Aug; YTD sales down 6.7% through Aug.
Median Home Price (Denver-Aurora MSA)	↑	↓	Median home price in Denver MSA increased to \$225,200 in Q2 2008; YTD price down 9.3%
Foreclosures	↓	↓	Foreclosures declined 54.2% Jul to Aug; YTD down 1.7% through Aug 2008.
Residential Building Permits (Total)	↓	↓	Total permits decreased between Jul and Aug; YTD down 35.5% through Aug 2008.
Apartment Vacancy Rate	↑	↓	Vacancy rate increased from 5.9% in Q1 to 6.2% in Q2; avg rental rate at \$886 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)
<i>Positive Changes</i>	5 of 18	5 of 18	



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