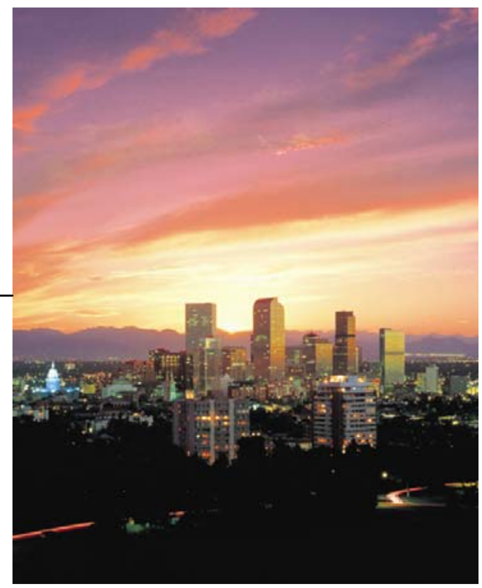
Monthly Economic Summary

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

- Four Colorado schools rank among the nation's best, according to the "America's Best Colleges 2009" list by *U.S. News and World Report*. The rankings rely on multiple measures of academic success, and the University of Colorado-Boulder ranked first in Colorado and 77th in the nation. The Colorado School of Mines ranked 80th among more than 1,400 schools examined for the annual list, and the University of Denver and Colorado State University ranked 89th and 125th, respectively.
- Thompson Reuters' 2007 "100 Top Hospitals" report – a three-part study – recognizes several Colorado healthcare facilities among the nation's best. The first part of the study recognizes "Performance Improvement Leaders" based on cost control, improvement in patient outcomes, and other indicators of change. St. Anthony Central in Denver ranked among the nation's best teaching hospitals for this first portion of the study. The second part of the study identifies hospitals as "National Benchmarks for Success" based on their employee work environment, patient survival rates, and other criteria. Both Poudre Valley Hospital in Fort Collins and Rose Medical Center in Denver won recognition in the teaching hospitals category for this portion of the study. The final category of the report, "Cardiovascular Benchmarks for Success" recognizes North Colorado Medical Center in Greeley as one of the best teaching hospitals without a cardiovascular residency program.
- *Inc.* magazine recently recognized Golden-based Blue Sun Biodiesel as the nation's fastest growing biodiesel producer. The annual "Inc. 500," a ranking of the nation's fastest growing private companies, also named Blue Sun as the 10th fastest growing energy company and the 242nd fastest-growing business overall. The Inc. 500 is the top-ranked subset of the Inc. 5,000, which also included numerous Colorado companies. Other local winners included Englewood-based CH2M Hill and Greenwood Village-based CoBank, which placed first and fifth overall in the Inc. 5,000 revenue ranking.
- Colorado adults have the lowest prevalence of obesity in the nation, according to a recent report from the Trust for America's Health. Using data from the Centers for Disease Control and Prevention (CDC), the report shows Colorado's adult obesity rate measured 18.4 percent over the 2005-2007 period. While Colorado is the only state with an adult obesity rate below 20 percent, the most recent study results suggest the state's obesity prevalence is rising. Rates in 37 states – including Colorado – rose over the past year, and rates in roughly half of those states had increased for the third consecutive year. No U.S. state reported a decline in obesity.

General Economic Overview

The September edition of the Federal Reserve *Beige Book* report describes the economy in the Tenth District – which includes Colorado – as somewhat healthier than the economies of several other U.S. regions. The region's economy has benefitted particularly from strength in the agricultural and energy sectors, and business conditions for manufacturers have improved in recent months. As in the rest of the nation, however, poor real estate and credit conditions in the Tenth District remain a considerable drag on economic growth. The report notes that Tenth District commercial real estate activity remains slow but steady, and residential sales volumes have increased as home prices continue to fall.

Economic growth at the national level exceeded expectations in the second quarter, but analysts caution that upwardly revised GDP estimates primarily reflect the strength of foreign economies. The U.S. Bureau of Economic Analysis (BEA) revised its estimate of second quarter U.S. GDP growth to 3.3 percent from an advance estimate of 1.9 percent, and upward revisions to exports and downward revisions to imports accounted for much of the $39.7 billion difference. While the second quarter figures suggest the U.S. economy has so far avoided recession, many analysts expect late-year GDP figures to weaken as troubled financial markets and the turbulent U.S. economy continue to affect foreign nations. The BEA will release a final estimate of second quarter GDP growth on September 26.

Like the GDP figures, international trade data speak to the summertime strength of foreign economies. According to the U.S. Department of Commerce, the U.S. trade deficit declined from $59.2 billion in May to $56.8 billion in June as exports increased by a record dollar amount. U.S. imports also increased in June, but domestic consumption is actually much weaker than the import data might suggest. Non-petroleum imports declined between May and June after adjustment for inflation, and the nation's non-petroleum trade deficit reached a five-year low. Put another way, the June increase in U.S. imports was entirely attributable to oil.

While oil prices have recently retreated from record levels, the Federal Open Market Committee of the Federal Reserve (FOMC) remains concerned that energy-driven inflation will limit economic growth through the second half of the year. The FOMC voted on August 5 to keep its target federal funds rate at two percent, but minutes from the meeting describe further inflation as a "significant" cause of concern. The FOMC next convenes on September 16.

Economic Indexes

Conditions in the local and national economy continue to be mixed. The recent retreat of oil prices has improved business conditions, but commodity prices nonetheless remain high. Strong activity in energy and agriculture is giving the local economy an advantage over its neighbors, but the impacts of weak conditions at the national level are impossible to avoid.

National Economy

- The Conference Board's Index of Leading Economic Indicators declined in July as positive trends for consumer expectations, the interest rate spread, and new manufacturing orders failed to offset negative movements in five other indicators. Negative trends for building permits and unemployment insurance claims continue to depress the overall index value, and Conference Board economists conclude that the risks of further economic weakness are high.
- The Institute for Supply Management's Purchasing Managers Index fell from 50 in July to 49.9 in August as the months-long pattern of weak growth and even slight decline continued. Respondents voiced concern over still-high commodity prices, but some noted that higher selling prices for finished goods have helped offset the cost burden.
- After two months of declines, the Institute for Supply Management's Index of Non-Manufacturing Business Activity rose from 49.5 in July to 50.6 in August. The index points to modestly improved business conditions for the nation's service sector, and respondents' comments reflect a similar view. Many respondents identified easing fuel costs as a significant factor in the more positive service sector outlook.

Local Economy

- The Colorado Business Leaders Confidence Index rose from 41.7 in the second quarter to 43.6 in the third quarter, which suggests the local business community has an improved outlook for the three months ending in September. Index readings below 50, however, still reflect business expectations for below-average growth.

Outlooks for the national economy were considerably weaker, as only 15 percent of respondents in the third quarter survey expected the nation's economy to improve in the near term.

- The most recent Vectra Bank Colorado Small Business Index suggests that a weak national economy is hindering local small businesses. The index declined from a revised 87.3 in June to 86.9 in July as slower job and income gains limited retail sales at the national and local levels. Despite the negative readings, Vectra Bank economists note that Colorado job growth continues to exceed growth in most other states.
- The Mountain States Business Conditions Index registered 56.4 in August and was down measurably from the August 2007 reading of 77.7. While an index reading above 50 indicates an economic expansion, index producers note that most mountain states' industries – with the exception of energy – are increasing their output without adding large numbers of jobs. In other words, the current economic climate has encouraged many companies to do more with less, although businesses with ties to energy or the international economy may have more flexibility. The Business Conditions Index was formerly produced by the Creighton Economic Forecasting Group and is now released by the Goss Institute for Economic Research.

Labor Force and Employment

Metro Denver employers cut 9,900 positions in July after adding roughly the same number of jobs in the prior month. Six of the region's 11 industry supersectors reported job losses between June and July, although reductions in state and local government – specifically seasonal reductions in education – accounted for much of the overall employment decline. On a year-to-date basis, each Metro Denver supersector except manufacturing and financial activities has added jobs, but the overall pace of growth continues to slow. Specifically, the region's year-to-date job growth rate declined to 1.5 percent in July from 1.6 percent in June. As it has in prior months, Metro Denver's year-to-date job growth rate remains slightly behind the statewide growth pace (1.7 percent) and ahead of the national average growth rate (0.3 percent).

Recent business activity in Metro Denver's industry clusters largely reflects national trends. Specifically, businesses tied to the household sector continue to struggle while energy companies report robust growth.

One business serving U.S. households – North Carolina-based Butterball, LLC – recently announced plans to cut 265 jobs at the company's processing facility in Longmont. The new round of layoffs adds to a previously-announced reduction and brings the company's count of total job cuts in Longmont to almost 500 this year. Butterball officials say the rising costs of grain and other feedstocks have forced the reductions.

Aerospace: An October 2008 service and repair mission for NASA's Hubble Space Telescope will install two new instruments designed by Boulder-based Ball Aerospace and Technologies Corp. The new camera and spectrograph – valued together at nearly $150 million – will improve the telescope's visual range and could help scientists understand the origins of galaxies and planets.

Thanks to such high-profile projects, Metro Denver's aerospace community is rapidly gaining an international reputation. British satellite company Surrey Satellite Technology Limited recently opened its new U.S. headquarters in Douglas County, and officials say they chose the Metro Denver location for its well-developed space industry and military installations. Spokespeople say the company – called Surrey Satellite Technology U.S. – currently employs four workers and could eventually employ as many as 250. Surrey's key customers include NASA, the U.S. Air Force, and private companies.

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

	Month of Jul-08 (p)	Month of Jun-08	Month of Jul-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*	1,428.6	1,438.5	1,412.9	1,416.5	1,395.4	1.5%	-1.4%	4.0%
Denver-Aurora MSA	1,262.0	1,270.0	1,249.2	1,249.1	1,230.6	1.5%	-1.2%	4.0%
Boulder-Longmont MSA	166.6	168.5	163.7	167.4	164.8	1.6%	-2.8%	4.0%
Natural Resources & Construction	102.5	102.2	103.5	98.6	97.9	0.7%	-7.1%	11.9%
Manufacturing	88.7	88.7	89.6	88.1	89.0	-1.0%	-4.9%	1.4%
Wholesale & Retail Trade	216.3	216.8	216.2	215.5	213.7	0.9%	-1.9%	3.0%
Transp., Warehousing & Utilities	52.7	52.7	52.1	52.4	51.8	1.2%	-8.0%	15.8%
Information	57.2	57.1	57.5	56.8	56.8	0.0%	3.4%	6.1%
Financial Activities	106.4	105.9	108.1	105.2	107.6	-2.2%	-1.3%	3.3%
Professional & Business Services	249.2	249.4	245.8	245.1	238.8	2.6%	2.6%	2.3%
Education & Health Services	152.1	153.0	145.9	151.4	145.6	4.0%	-0.6%	2.1%
Leisure & Hospitality	154.6	155.3	151.9	148.1	144.1	2.8%	-0.4%	2.1%
Other Services	53.7	54.0	52.5	52.8	52.1	1.4%	0.2%	2.0%
Government	195.2	203.4	189.8	202.5	198.1	2.3%	0.5%	0.2%
Federal Gov't	30.6	30.3	30.6	30.2	30.6	-1.5%	-2.9%	1.8%
State & Local Gov't	164.6	173.1	159.2	172.4	167.4	2.9%	1.4%	2.7%
Colorado	2,373.6	2,387.3	2,342.2	2,352.4	2,313.0	1.7%	-1.4%	3.9%
United States	137,236	138,694	137,410	137,350	136,994	0.3%	-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: A bankruptcy court recently gave preliminary approval to a financing deal that allows Denver-based Frontier Airlines to borrow $30 million from four of its major creditors. The deal substitutes for the separate offer from a Washington, DC-based investment company that would have financed the airline in return for a majority stake post-bankruptcy. Under the new plan, Frontier obtained an initial loan of $30 million and could later request an additional $45 million if it meets certain criteria.

Competitor United Airlines recently announced plans to furlough 10 percent of its flight attendants. The more than 1,500 attendants affected can accept voluntary leave with certain benefits, and spokespeople say the layoff action will be complete by October 31. Employee representatives were unsure how the cuts might affect United workers in Denver.

United plans for other local reductions are more specific. A recently announced layoff will eliminate 272 United baggage handling jobs in addition to 150 positions already eliminated in Denver. Analysts say United Airlines and Frontier Airlines have cut a combined 1,000 jobs in Denver so far, and they expect local job cuts to continue. Recent news suggests, though, that layoffs may be less severe than analysts anticipated, at least for Frontier. Frontier officials say voluntary leaves of absence, early retirements, and attrition has helped them reduce the necessary number of local job cuts from 600 to 200. The previously announced, 600-job reduction would have represented 12 percent of Frontier’s Denver workforce.

Other local aviation news brought a surprise announcement from rapidly growing Southwest Airlines. The Dallas-based carrier will eliminate one flight on each of three Denver routes to offset slow winter travel, spokespeople say. Reduced Denver-based routes to Baltimore, Chicago, and Las Vegas will count towards the carrier's new goal of eliminating 200 flights nationwide in 2009. The cuts take effect in early January and will trim the carrier's total capacity by six percent, but Southwest spokespeople note that some of the reduced flights may be added back.

Bioscience: Louisville-based Replidyne Inc. plans to release a majority of its employees and is examining prospects for a merger or sale, according to company spokespeople. The company's troubles began last year when one its drug candidates failed to gain FDA approval and a major financial partner withdrew its support. Replidyne officials now plan to reduce the company's workforce from 24 positions to five and will also sublease nearly 50,000 square feet of office space.

Energy: Spokespeople for Denmark-based Vestas Wind Systems A/S recently announced plans to expand the company's U.S. presence with two new facilities in Brighton. One facility, a wind turbine blade manufacturing plant, will supplement the company's existing blade facility in Windsor. The second factory will assemble nacelles, or housings for turbine generators and other sensitive components. The nacelle factory will be Vestas' largest and the first such factory in the U.S. Combined, both facilities could bring more than 1,300 jobs to Brighton when fully operational in 2010.

Vestas will also expand its Colorado presence with a turbine tower manufacturing facility in Pueblo. Company spokespeople say the tower factory will be the largest of its kind in the world and could ultimately employ more than 450 workers. The factory is scheduled to open in 2009.

Plans for new facilities are also underway at Xcel Energy. The utility recently gained approval to close coal-fired power plants in Denver and Grand Junction, and Xcel has committed to replace the plants' combined 229-megawatt generation with more than 1,000 megawatts of power from wind and solar projects. Several companies are already prepared to bid on the solar project, which will involve construction of a new, 200-megawatt plant with both generation and storage capacity. The Grand Junction coal plant will close in 2010 and the Denver plant will close in 2012.

In addition to a supply-side transition to renewable energy, Xcel is also moving ahead with renewable energy programs for its customers. The company recently submitted a plan to the Colorado Public Utilities Commission which – if approved – would add roughly $1.16 per month to residential electric bills and $2.03 to small business bills to fund a renewable energy rebate program. Natural gas bills would also rise between 76 cents and $1.26 per month to fund the plan, which would reward customers who voluntarily implement energy efficiency upgrades. Xcel officials emphasize that changes made under the plan will produce significant long-term savings for energy customers, and the company also plans to offer increased energy assistance to low-income families, seniors, and the disabled.

Metro Denver energy companies are also exploring ways to better meet commercial needs. California-based Rentech Inc. recently opened the nation's first synthetic diesel and jet fuel plant in Commerce City. If the fuel produced by the demonstration plant passes further federal testing and wins government approval, the company may have the product certified for airline use.

Financial Services: Denver-based Mercury Cos. recently filed for Chapter 11 bankruptcy protection after selling four of its Colorado agencies – United Title Co., First American Heritage Title, Title America Inc., and Security Title Guaranty Co. – to Florida-based Fidelity National Title Insurance Co. Mercury ceased operations altogether in Arizona, California, and Texas.

Telecommunications: Spokespeople for Denver-based StarTek Inc. say the company will add 100 positions at its west Greeley call center to support additional contract work. StarTek – which recently announced plans for a call center in the Philippines – currently operates two Greeley facilities with a combined workforce of more than 570 employees.

Employment Outlook

The third quarter hiring outlook 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, 20 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
Denver Area*						
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%
Boulder County						
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 followed a typical seasonal pattern and declined from 5.4 percent in June to 5.2 percent in July. The region's unemployment rate through the first seven months of the year averaged 4.8 percent in a one percentage-point increase over the same months in 2007. Year-to-date average rates for the region's seven counties remained at or below the U.S. national average and ranged from 4.1 percent in Boulder County to 5.4 percent in Adams County.

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

	Jul 2008 (p)		2008 YTD Avg		2007 YTD Avg		2003	1998
	Labor Force	Unemploy-ment Rate	Labor Force	Unemploy-ment Rate	Labor Force	Unemploy-ment Rate	Ann Avg Unemploy-ment Rate	Ann Avg Unemploy-ment Rate
Metro Denver	1,556.3	5.2%	1,548.9	4.8%	1,510.1	3.8%	6.4%	2.9%
Adams County	228.8	5.7%	227.7	5.4%	222.0	4.4%	7.2%	3.6%
Arapahoe County	319.5	5.3%	317.4	4.8%	309.3	3.7%	6.3%	2.7%
Boulder County	178.4	4.6%	179.1	4.1%	174.8	3.3%	5.8%	3.3%
Broomfield County*	26.8	5.3%	26.7	4.8%	26.0	3.8%	6.4%	
Denver County	322.8	5.8%	320.9	5.3%	312.6	4.2%	7.3%	4.1%
Douglas County	159.5	4.6%	158.6	4.2%	154.5	3.1%	5.3%	1.7%
Jefferson County	320.3	5.0%	318.6	4.6%	310.9	3.7%	5.9%	2.8%
Colorado	2,791.9	5.2%	2,755.9	4.8%	2,682.7	3.8%	6.1%	3.8%
United States	156,300	6.0%	153,937	5.4%	152,763	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

Unemployment insurance claims in Metro Denver numbered 1,374 through the first seven months of the year, which amounts to a 20.2 percent increase over the same months in 2007. The statewide count of claims also remained elevated through July, and the Colorado year-to-date total increased by a slightly smaller 17.6 percent from the same months of 2007.

Weekly First-Time Unemployment Insurance Claims

	Month of Jul-08	Month of Jun-08	Month of Jul-07	YTD Avg 2008	YTD Avg 2007	YTD Avg % Change
Metro Denver	1,374	1,230	1,112	1,363	1,135	20.2%
Colorado	2,305	2,117	2,004	2,424	2,062	17.6%

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

A strengthening dollar and sustained declines in U.S. demand have helped crude oil prices drop from record summer levels. A recent report from the Federal Highway Administration quantifies the pullback in U.S. driving and notes that motorists traveled 53.2 billion miles less between November 2007 and June 2008 than they did in the prior year. Put another way, the ongoing reduction in U.S. road travel now exceeds the pullback of the 1970s. While fewer road miles traveled can ultimately mean less reliance on oil and reduced emissions, many local officials are increasingly concerned about road and highway networks that broadly depend on fuel tax revenue for construction and repairs.

For many U.S. motorists, though, lower oil and gas prices are a welcome relief. Oil prices settled around $110 per barrel as September began, well below mid-summer prices in excess of $140 per barrel. Nationwide gas prices also retreated from prior months' highs but remain nearly $1 above year-ago levels. The AAA *Daily Fuel Gauge Report* shows Colorado prices per gallon of regular gasoline averaged $3.77 as September began, and national prices averaged a slightly lower $3.68 per gallon. In Metro Denver, drivers paid an average of $3.71 per gallon in early September.

With the busiest driving period of the year now officially passed, some local analysts expect declining demand in Colorado and the nation to keep downward pressure on oil prices. As a result, they expect gasoline prices to approach $3 per gallon in the coming months. Others suggest, though, that Atlantic hurricanes, global demand, and political instability in oil-rich nations could keep crude and gas prices at elevated levels for the near future.

While still-high oil prices will increase home heating bills this winter, new forecasts from Xcel Energy suggest that costs may not be as high as the utility originally anticipated. Thanks to declining oil prices and maintenance on the Rockies Express pipeline, the projected increase in winter natural gas bills for Metro Denver now ranges from 10 to 30 percent over the same months last year. In prior forecasts, Xcel warned that November to April bills for homes and small businesses could be as much as 30 to 50 percent higher than last year's bills. Despite the positive news, local nonprofits remain concerned about heating costs for low-income families as federal energy assistance programs face budget shortfalls.

As is the case with oil and home heating bills, declining commodity prices could have an underwhelming impact on grocery costs this winter. While recent government reports suggest that record crops of corn and soybeans could help ease food prices, analysts note that food prices are often slower to respond to changing commodity costs. This price "stickiness," they say, results mainly because the small quantity of any given ingredient in a processed food tends to limit the manufacturer's pricing power. Overall, declining commodity costs are still near record highs, so analysts expect food prices to stay elevated for at least several more months.

As of July, U.S. food prices were 5.8 percent higher than prices last year. This and other figures from the U.S. Bureau of Labor Statistics' most recent Consumer Price Index (CPI-U) show inflation rising steadily through the summer. Food and fuel continue to be the largest inflationary forces, and the July transportation subindex – which tracks gasoline prices as well as costs for public transportation, air travel, and vehicles – was up 13.4 percent over July 2007. The July CPI-U for all items increased at a 5.6 percent annual pace, up from a five percent rate of increase in June.

Price increases at the local level mirror national trends, although upward movements in the Denver-Boulder-Greeley CPI-U have been less extreme. According to the most recent Denver-Boulder-Greeley price indexes, the region's food and beverage prices through the first half of 2008 were 4.1 percent higher than prices in the same months of 2007. Transportation costs rose 8.7 percent over-the-year, and cost increases for other categories of goods ranged from 1.3 percent to 5.8 percent. Overall, Metro Denver consumer prices – as measured by the Denver-Boulder-Greeley CPI-U – increased 3.7 percent through the first half of 2008.

When inflation data are used to adjust national retail sales totals, the resulting figures suggest U.S. consumers are steadily trimming their spending. A recent report by the International Council of Shopping Centers predicts that U.S. retail store closures could increase by seven percent this year, and other national surveys suggest that many U.S. parents planned to cut back-to-school spending by a considerable margin. Analysts note, though, that overall retail figures disguise a large variety of trends. Discount retailers such as Wal-Mart and Costco have so far performed well, while many specialty and high-end stores continue to struggle. Retail trends in Metro Denver have also beat national averages thanks to solid population and income growth, but some portions of the metro retail market – including Cherry Creek and downtown Denver – are fairing better than others.

Total Metro Denver retail sales continue to expand at a steady pace, although equally steady increases in consumer prices – particularly for gasoline, food, and other staples – are undercutting real revenue and sales tax collections. Total retail sales through the first half of the year declined in Arapahoe County and the City and County of Broomfield, but the remaining five counties in Metro Denver reported year-to-date gains ranging from 2.4 percent to 13.1 percent. *Overall, Metro Denver retail sales increased 4.1 percent through the first half of the year and 0.4 percent after adjustment for inflation.*

MONTHLY ECONOMIC SUMMARY

Total Retail Sales ($000s)

	Month of Jun-08	Month of May-08	Month of Jun-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Annual Growth 2003	Annual Growth 1998
Total Metro Denver	8,184,389	7,452,564	7,700,462	43,084,292	41,397,601	4.1%	1.6%	8.2%
Adams County	1,330,211	1,427,985	1,207,224	7,583,300	6,703,889	13.1%	6.0%	9.2%
Arapahoe County	1,583,960	1,460,188	1,620,309	8,498,407	8,983,084	-5.4%	1.6%	6.8%
Boulder County	929,778	624,165	761,408	4,066,383	3,850,719	5.6%	4.4%	11.0%
Broomfield County	149,599	132,373	147,979	770,509	819,869	-6.0%	-6.5%	
Denver County	2,381,117	2,230,454	2,145,441	12,572,459	11,711,877	7.3%	-1.6%	7.9%
Douglas County	603,206	519,762	588,470	3,110,410	3,036,945	2.4%	-2.7%	15.7%
Jefferson County	1,206,518	1,057,637	1,229,631	6,482,824	6,291,218	3.0%	4.6%	5.9%
Colorado	13,871,507	12,189,007	13,020,998	72,609,833	69,364,832	4.7%	1.6%	6.9%

Source: Colorado Department of Revenue.

The Mountain Region Consumer Confidence Index strengthened slightly in July but remained measurably below last year's level. The average index reading for the Mountain Region was 86.6 through the first seven months of 2008, which amounts to a 36.7 percent decline from the same period last year. Similarly, the U.S. Consumer Confidence Index is down 40.5 percent on a year-to-date average basis, although economists note that respondents to the July survey were essentially no more pessimistic or optimistic than they were in the prior month.

Consumer Confidence Index

	Month of Jul-08 (p)	Month of Jun-08	Month of Jul-07	YTD Avg 2008	YTD Avg 2007	YTD Avg % Change	Ann Avg 2003
Mountain	72.2	69.2	137.6	86.6	136.9	-36.7%	89.4
United States	51.9	51.0	111.9	64.8	108.8	-40.5%	79.8

Source: The Conference Board. (p) =preliminary

The Metro Denver hotel occupancy rate increased from 76.5 percent in June to 80.4 percent in July, but room rates declined unexpectedly to $116.77 from $120.62 in the prior month. The region's overall average occupancy rate through July declined slightly from the same months in 2007, but August lodging demand from the Democratic National Convention could increase rates noticeably. Metro Denver room rates through July averaged $115.01 in a 4.4 percent increase over 2007.

Metro Denver Hotel Statistics

	Month of Jul-08	Month of Jun-08	Month of Jul-07	YTD Avg 2008	YTD Avg 2007	YTD Avg % Change	Annual 2003	Annual 1998
Percent of Hotel Rooms Occupied	80.4%	76.5%	77.9%	67.1%	67.8%	-1.0%	59.5%	70.0%
Average Hotel Room Rate	$116.77	$120.62	$115.59	$115.01	$110.15	4.4%	$84.79	$87.52

Source: Rocky Mountain Lodging Report.

Passenger traffic at Denver International Airport continues to grow at a steady pace. More than 4.8 million passengers visited the airport in June, and total traffic through the first half of the year was 4.3 percent higher than traffic for the same period in 2007.

Denver International Airport Passengers

	Month of Jun-08	Month of May-08	Month of Jun-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Annual 2003	Annual 1998
Number of Airline Passengers	4,829,829	4,450,742	4,569,938	25,551,220	24,494,191	4.3%	37,505,138	36,831,400

Source: Denver International Airport, Traffic Statistics.

Weak employment data and unstable financial markets continue to disrupt U.S. stock performance. Three major national stock indexes rose modestly between July and August, but year-to-date returns remain negative. The Dow Jones Industrial Average (DJIA) was down 13 percent through August, and the S&P 500 (-12.6 percent) and NASDAQ (-10.7 percent) were down by slightly smaller margins. The Bloomberg Colorado Index declined slightly between July and August and is down 13.9 percent year-to-date.

Stock Market Indexes

	Month of Aug-08	Month of Jul-08	Month of Aug-07	YTD Return 2008	YTD Return 2007	YTD Return 2006
Bloomberg Colorado	387.6	390.7	424.2	-13.9%	10.9%	6.9%
S&P 500	1,282.8	1,267.4	1,474.0	-12.6%	3.9%	4.4%
NASDAQ	2,367.5	2,325.6	2,596.4	-10.7%	7.5%	-1.0%
DJIA (Dow Jones)	11,543.6	11,378.0	13,357.7	-13.0%	7.2%	6.2%

Sources: Bloomberg.com, Yahoo! Finance.

Residential Real Estate

A recent report by the Mortgage Bankers Association shows that U.S. rates of mortgage loan delinquency and foreclosure both increased in the second quarter of 2008. According to the *National Delinquency Survey*, the share of all loans that were at least 30 days past due increased to 6.41 percent in the second quarter of 2008 from 6.35 percent in the first quarter. The total share of loans in foreclosure rose from 2.47 percent at the end of the first quarter to 2.75 percent at the end of the second quarter. While the data suggest that the nationwide delinquency trend has worsened and the foreclosure rate has nearly doubled since the second quarter of 2007, analysts note that large states with elevated delinquency and foreclosure rates – such as Florida and California – are strongly influencing U.S. data.

Regional difficulties, though, are still feeding housing problems on a national scale. Most notably, the growing volume of delinquent and foreclosed loans recently forced major lenders Fannie Mae and Freddie Mac into government conservatorship. Combined, the lenders guarantee or own about half of the nation's total mortgage debt and reportedly lacked the capital reserves to cover mounting losses. With the U.S. Treasury Department now essentially guaranteeing the companies' debt, many analysts expect more confident mortgage investors and, by extension, lower loan rates. Some warn, though, that the glut of unsold homes already on the market and the continued decline in home prices could delay a housing turnaround, even with more stable rates for borrowers. Whatever the outcome, analysts agree that the government bailout of Fannie Mae and Freddie Mac will be costly for U.S. taxpayers. Government sources are unsure how much investment will be necessary to stabilize the lenders, but estimates range from $100 to $200 billion.

In the meantime, tight mortgage credit and a large housing inventory continue to depress home prices in Metro Denver and other comparatively strong markets. A second quarter report released by online real estate tracker Zillow.com suggests that more than 38 percent of Denver area homes sold between the second quarters of 2007 and 2008 sold for a loss. In the Boulder MSA, a slightly smaller 21 percent sold for a loss. Local experts say a glut of properties priced for quick sale continues to dampen prices for all Metro Denver homes. They note, however, that Metro Denver's housing market is still fairing better than most markets nationwide. The Zillow reports show, for example, that more than 50 percent of homes sold in parts of California and Florida sold for a loss.

Continued price weakness for existing homes is also exacting a large toll on homebuilders. Spokespeople for Dallas-based Centex Homes say the company will cease operations in Colorado by spring of 2009. The company sold 304 homes in 16 Metro Denver projects last year, but officials say continued activity in Denver does not align with the company's long-term objectives. Centex will maintain a warranty team for homes built in Colorado and plans to finish homes already under construction as well as homes that are sold but yet to be built.

Home Resales

The pace of U.S. existing home sales continued on a volatile course and increased 3.1 percent between June and July, according to data from the National Association of Realtors (NAR). The generally bumpy trend of increasing and decreasing sales has persisted since the beginning of 2008, but NAR spokespeople expect the federal housing stimulus package to help stabilize sales in the months ahead. Overall, the current sales pace for U.S. existing homes is 13.2 percent below last year's pace, and U.S. home inventory amounts to an 11.2-month supply. The July home sales pace accelerated from June in all but one U.S. region – the South – and sales in the West increased by the largest over-the-month margin (+9.7 percent).

The number of closed home sales in Metro Denver increased 5.7 percent between June and July, and total July sales rose slightly above the total from July 2007. The region's unsold inventory has declined more than 15 percent through the first seven months of the year, but average sale prices remain weak. Specifically, the average sale price of a single-family home in Metro Denver declined 11.3 percent through the seven months ended in July, and the average sale price of a condominium declined 3.8 percent.

Previously-Owned Home Sales Activity

	Month of Jul-08	Month of Jun-08	Month of Jul-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Ann Avg 2003	Ann Avg 1998
Home Sales (Under Contract)	5,878	6,308	5,951	40,361	39,956	1.0%	29,703	40,916
Home Sales (Closed)	5,123	4,845	4,980	28,594	30,493	-6.2%	47,966	45,951
Unsold Homes on Market	25,673	26,104	30,272	25,673	30,272	-15.2%	24,660	12,583
Average Sales Price-Single Family	$283,860	$286,887	$316,024	$278,717	$314,207	-11.3%	$277,856	$185,785
Average Sales Price-Condo	$169,474	$190,367	$192,885	$175,280	$182,276	-3.8%	$175,215	$115,235
Median Sales Price-Single Family	$229,200	$230,000	$255,000	$225,000	$249,000	-9.6%	$230,000	
Median Sales Price-Condo	$149,000	$148,345	$158,000	$140,000	$154,000	-9.1%	$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

NAR data show the national median home price for all types of housing was $212,400 in July, which amounts to a 7.1 percent decline from the July 2007 price. While NAR analysts expect home prices to follow improving sales figures with a lag, they warn that high inventory levels and distressed properties could limit price appreciation through 2009. July median home prices reflected the largest over-the-year decline in the West (-22.2 percent) while prices in the Northeast (-4.9 percent) and South (-3.5 percent) declined by considerably smaller margins. July median home prices increased over-the-year in just one U.S. region, the Midwest (+1.0 percent).

June results for the S&P/Case-Shiller Home Price Indices show similar regional trends, although the indices suggest that annual home price declines may be slowing in some areas. The indices for Denver and Boston showed the greatest improvement between May and June with 1.5 percent and 1.2 percent gains, respectively. The

June increase was also the third consecutive gain for both indices, and two other indices – those for Dallas and Charlotte – have increased for four consecutive months. Annual returns remain negative, however, for each of the 20 metropolitan indices and exceeded 20 percent in seven indices. Overall, the figures suggest prices are approaching bottom in some U.S. regions but have further to fall in others.

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

Recent data from California-based RealtyTrac show the number of U.S. properties with some sort of foreclosure filing increased eight percent between June and July. The July count represented a 55 percent increase from July 2007 and – according to RealtyTrac analysts – reflected a large increase in REOs, or filings indicating bank repossession.

A large number of REOs places a heavy burden on housing markets and, in particular, home prices. Because REOs represent the final stage in the foreclosure process, though, an increase in REOs that exceeds the increase in new defaults and other early filings might suggest that a foreclosure trend is stabilizing. A recent study by the Federal Reserve Bank of Kansas City views just such a situation in Metro Denver, where the report says the share of subprime loans that have already proceeded to lender-owned status is almost twice the national average. Because Metro Denver subprime loan originations peaked earlier than originations nationwide, the report says, the region's housing market is reaching a more mature stage in the foreclosure cycle. Researchers also note that Metro Denver subprime delinquency rates are now at or below the national average.

Foreclosure data collected from Metro Denver public trustees may also reflect a maturing trend, but up-and-down patterns for many counties suggest that a true turning point may still be several months away. Foreclosures increased between June and July in all but two of the seven Metro Denver counties, but foreclosures in Denver County continued to decline on a year-to-date basis. For all Metro Denver counties combined, foreclosures through the first seven months of 2008 rose 6.3 percent above filings for the same months of 2007.

Real Estate Foreclosures

	Month of Jul-08	Month of Jun-08	Month of Jul-07	YTD Total 2008	YTD Total 2007	YTD Total % Change
Total Metro Denver*	2,095	2,232	2,113	16,763	15,769	6.3%
Adams County	510	477	462	3,864	3,652	5.8%
Arapahoe County	454	578	498	3,967	3,511	13.0%
Boulder County	108	93	81	687	508	35.2%
Broomfield County	25	16	24	177	133	33.1%
Denver County	470	608	586	4,250	5,008	-15.1%
Douglas County	176	169	146	1,411	976	44.6%
Jefferson County	352	291	316	2,407	1,981	21.5%

**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 pace of new home sales accelerated between June and July but remained considerably behind the sales pace of prior years. According to the U.S. Department of Commerce, the sales pace for new, single-family homes quickened by 2.4 percent between June and July and reached an annual rate of 515,000 units. Despite the improvement, the July sales pace remained 35.3 percent behind sales from July 2007. Regional trends were similar, with new home sales in the South, West, and Midwest more than 30 percent behind the sales pace from last year. The July new home sales pace in the Northeast accelerated slightly from the 2007 rate.

A separate Department of Commerce report shows the rate of starts for all types of privately-owned housing declined 11 percent between June and July and remained nearly 30 percent below starts from July 2007. Single-family construction activity remains at historically weak levels across all U.S. regions, with July starts on single-family residences down from the prior year by 27 percent in the Northeast, 39 percent in the South, 40 percent in the Midwest, and 44 percent in the West.

Builder confidence measures also point to historic weakness in residential construction, although spokespeople for the National Association of Homebuilders (NAHB) note that the expectations portion of the NAHB/Wells Fargo Housing Market Index (HMI) recently improved. While the overall confidence measure remained at an all-time low of 16 in both July and August, the August subindex for sales expectations increased as builders anticipated positive impacts from the housing stimulus act. Still, builder confidence indexes across all U.S. regions remained at or below 20 and significantly behind the break-even level of 50. Builder confidence is currently lowest in the West, where the August confidence index dropped three points to 11.

Metro Denver construction data also show residential building activity at an uninterrupted low. Local jurisdictions issued slightly less than 1,000 building permits in July, and total permits issued through the first seven months of 2008 declined 34.4 percent from the same period in 2007. Permits for multi-family construction have nearly doubled so far this year, but analysts warn that tighter project financing and slower job growth could limit multi-family building activity as 2008 ends.

Residential Building Permits

	Month of Jul-08	Month of Jun-08	Month of Jul-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Total 2003	Total 1998
Single-Family Detached Units	389	408	734	2,584	4,884	-47.1%	12,656	16,058
Single-Family Attached Units	45	85	180	995	3,455	-71.2%	3,755	3,527
Multi-Family Units	538	524	141	2,730	1,272	114.6%	1,858	7,794
Total Units	972	1,017	1,055	6,309	9,611	-34.4%	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

Developer RedPeak Properties has broken ground on the final phase of the Seasons at Cherry Creek, a luxury apartment community near Cherry Creek Mall in Denver. The 14-story apartment tower will offer 148 units and will cost $58 million to build. While developers acknowledge the difficult market, they note that larger numbers of jobless subcontractors can translate into lower labor costs. The new building is scheduled to open in 18 months.

A second residential project, One Lincoln Park, is set to open in downtown Denver on September 20. The $100 million, 32-story condominium tower at 100 E. 20th Avenue offers 177 units and six levels of parking.

Market Overview

Data from CoStar Realty Information, Inc. suggest that Metro Denver's office market weakened in the second quarter as economic uncertainty limited transactions. The direct vacancy rate returned to its year-ago level of 12.1 percent from 11.9 percent in the first quarter, but direct average lease rates still increased 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

Data from CoStar Realty Information, Inc. point to solid fundamentals in Metro Denver's industrial market. 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 $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

In the current retail market, above-average performance can still mean difficult conditions. 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. Cornerstar and Church Ranch Crossing are among the largest retail projects currently under construction in Metro Denver, and Riverpoint at Sheridan, Prairie Center, and the Shops at Villagio are some of the largest completed so far this year.

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

Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	⇓	⇑	Employment declined by 9,900 jobs Jun to Jul; YTD employment up 1.5% through Jul 2008.
% Companies Hiring (Denver Area)	⇑	⇓	32% of companies expect to add workers in Q3 2008.
Unemployment Rate	⇓	⇑	Metro rate 5.2% in Jul; YTD avg. rate of 4.8% up from 3.8% in 2007.
Initial Claims	⇑	⇑	Claims increased Jun to Jul; YTD claims up 20.2% through Jul 2008.
Total Retail Sales	⇑	⇑	Metro retail sales up 9.8% from May to Jun; YTD sales up 4.1% through Jun 2008.
Consumer Confidence Index	⇑	⇓	Mountain Region up to 72.2 in Jul from 69.2 in Jun; index down 36.7% year-to-date
Hotel Occupancy	⇑	⇓	Hotel occupancy increased from 76.5% in Jun to 80.4% in Jul; occupancy down 1% YTD
DIA Passengers	⇑	⇑	Traffic increased 8.5% May to Jun; YTD traffic up 4.3% through Jun 2008.
Bloomberg Colorado Index	⇓	⇓	Bloomberg Colorado Index down 0.8% from Jul to Aug; year-to-date return at -13.9%.
Dow Jones Industrial Average	⇑	⇓	DOW increased 1.5% Jul to Aug; year-to-date return at -13%
Home Sales (closed)	⇑	⇓	Home sales increased 5.7% Jun to Jul; YTD sales down 6.2% through Jul.
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 6.1% Jun to Jul; YTD up 6.3% through Jul 2008.
Residential Building Permits (Total)	⇓	⇓	Total permits decreased between Jun and Jul; YTD down 34.4% through Jul 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 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)
Positive Changes	**10 of 18**	**4 of 18**	

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