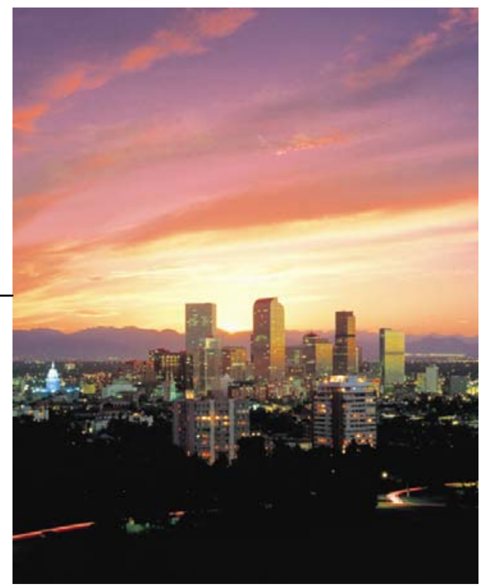
Metro Denver
Economic Development Corporation

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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Development Research Partners

10184 West Belleview Avenue
Suite 100
Littleton, Colorado 80127
www.DevelopmentResearch.net
303.991.0070

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 ranked second in the 2009 *ALEC-Laffer State Economic Competitiveness Index*, which is a measure that evaluates the link between states' policies and economic performance. Analysts say states that perform well on the index tend to have low regulatory and tax burdens and a sustainable approach to public spending. These states are also the most likely to manage economic stimulus effectively and make a solid recovery from the nationwide recession.
- Several Colorado metropolitan areas ranked high on *Forbes'* 2009 list of the "Best Places for Business and Careers." The ranking includes the nation's 200 largest metropolitan areas and considers the cost of doing business, educational attainment, and other factors. The Fort Collins metro area ranked second overall, Colorado Springs ranked 10th, the Denver-Aurora region ranked 14th, and Boulder ranked 20th. *Forbes* spokespeople noted that Colorado and North Carolina alone accounted for 10 of the top 20 metro areas included in the ranking.
- Metro Denver is among "Ten Cities Where Americans are Relocating," according to a recent article by *Forbes*. According to the article, Metro Denver's better-than-average labor market conditions and popular status in quality-of-life surveys make the region a top spot for relocation.
- A recent study by the Brookings Institution shows Metro Denver among 35 "Centralized Employment Metros," or areas with more than 60 percent of total employment within 10 miles of the central business district. Centralized employment is a key factor in controlling sprawl, analysts say.
- The Denver Zoo recently became the first zoo in the U.S. to have its entire facility gain ISO 14001 certification for environmental management. To receive the designation, facilities must demonstrate a comprehensive approach to reducing the environmental impact of operations. The Denver Zoo's approach includes water use reduction, a recycling program for electronics, and plans for a gasification plant that will turn animal and other wastes into power. Five divisions of the City and County of Denver government have also received ISO 14001 certification, and the city plans to certify the Denver Botanic Gardens, the Denver Museum of Nature and Science, and seven other entities this year.
- Denver ranked third on the 2009 list of best-value travel destinations assembled by Hotwire.com. The ranking identifies the nation's top 50 value destinations based on airfares, cost and selection of accommodations, access to inexpensive entertainment, and other factors. Hotwire spokespeople say Metro Denver attractions including the U.S. Mint and an extensive network of bike trails make the region an appealing low-cost destination.
- The University of Colorado Denver School of Medicine – Department of Pediatrics won more research awards from the National Institutes of Health (NIH) in fiscal year 2008 than any other U.S. pediatrics program. Pediatric funding from the NIH goes towards research of childhood cancer, diabetes, and other conditions.
- Colorado ranks fourth in the nation for the health and happiness of its residents, according to a recent survey conducted by Gallup, Healthways, and America's Health Insurance Plans. Survey questions in more than 350,000 interviews covered topics including healthy eating, job satisfaction, and sense of community.

Policy Watch

Details of government fiscal and monetary stimulus continued to unfold in March. New policies also continued to evolve, and government officials are reportedly considering ways to extend financial regulation beyond financial institutions to major insurers, hedge funds, and all entities trading in financial derivatives.

- The Federal Reserve recently opened the Term Asset-Backed Securities Loan Facility (TALF), a $200 billion financing program for investors in securities backed by auto and school loans and other consumer debts. Government spokespeople say the program should improve interest rates for consumer financing.
- The U.S. Treasury announced plans to purchase $15 billion in securities backed by the U.S. Small Business Administration (SBA). Officials say the program will allow small business lenders to sell loans they have been holding, which effectively frees more capital for lending. The SBA has also increased the limit for the guarantee it makes on loans by private lenders, and some upfront fees for borrowers will be temporarily waived.
- The Treasury also unveiled plans for the Public-Private Investment Program. In essence, the program is a multi-agency effort to partner with private investors in the purchase of as much as $1 trillion in nonperforming – or "legacy" – loans and securities. The first part of the program will allow hedge and mutual funds and other private investors to purchase legacy loans with as much as 85 percent debt financing from the Federal Deposit Insurance Corporation. The Treasury will then provide 50 percent of the remaining equity requirement for the purchase, and private investors will create and manage Public-Private Investment Funds. Details for a second part of the program are less clear, but they provide for side-by-side Treasury investment with private partners willing to purchase asset-backed securities. Government documents suggest some funding for this part of the program could come through an expansion of the previously announced TALF effort.
- The Group of Twenty Finance Ministers and Central Bank Governors (G20) took steps to stabilize the international financial community at an April meeting. The group – which includes the U.S – pledged $1.1 trillion to the International Monetary Fund, much of which will be used to support international trade and emerging markets mired in the financial crisis. Separately, a panel of U.S. financial rule makers approved a change to the mark-to-market accounting standard that some say will help banks better manage their underperforming assets. Other analysts say such a shift in rules could frustrate the federal government's efforts under the Public-Private Investment Program.

General Economic Overview

The U.S. Bureau of Economic Analysis (BEA) reported its final estimate of fourth quarter GDP growth (-6.3 percent), a slight downward revision to the -6.2 percent preliminary estimate. The $2.9 billion revision includes downward adjustments to inventory investment by businesses and commercial real estate activity. The BEA will release an advance estimate of first quarter GDP growth on April 29.

The most recent GDP figures suggest that international trade activity remains weak, and trade deficit figures show a similar trend. The U.S. trade deficit fell in January to the lowest level ($36 billion) reported since October 2002. U.S. exports declined by 5.7 percent between December and January and imports fell by a slightly larger 6.7 percent. The U.S. deficit with key trading partner Canada fell to its lowest level in nearly a decade, and imports and exports of cars, car parts, and engines fell to the lowest levels reported since 1998.

Because economic conditions are broadly weak, most analysts expected the Federal Open Market Committee of the Federal Reserve (FOMC) to leave the target federal funds rate near zero at a mid-March meeting. The FOMC did leave rates unchanged but surprised many with plans for a major expansion to its balance sheet. The committee plans to increase its total asset holdings – which were roughly $900 billion in September – to more than $1.2 trillion with additional purchases of mortgage-backed securities and long-term government debt. The

FOMC expects the purchases to increase liquidity in financial markets and drive down interest rates on mortgages and other forms of debt. While previous FOMC purchases did help mortgage rates decline, many analysts are increasingly concerned that more purchases will fan inflation in the long term.

Economic Indexes

Recent economic index readings continue to reflect difficult business conditions. Even so, previously dramatic declines in some key business indicators are moderating.

National Economy

- The Conference Board's Index of Leading Economic Indicators declined in February, and increases reported for January and December were both revised downward. The index has fallen 2.1 percent over the past six months, which represents a faster drop than the 1.6 percent decline reported for the prior six months.
- The Institute for Supply Management's Purchasing Managers Index rose from 35.8 in February to 36.3 in March, which suggests that the ongoing decline in the nation's manufacturing sector may be moderating. Even so, many survey respondents remained concerned about economic conditions and noted difficulty in balancing their supply and demand. Respondents from slightly less than a third of the manufacturing industries surveyed expected to benefit from the federal economic stimulus package.
- The Institute for Supply Management's Index of Non-Manufacturing Business Activity fell from 44.2 in January to 40.2 in February, which suggests the nation's service sector is still contracting. Survey respondents in both public and private service sectors noted still-weak conditions. Notably, respondents in the financial services sector suggested that borrowers' poor credit is currently one of the largest obstacles to lending.

Local Economy

- The Mountain States Business Conditions Index declined from 44.6 in February to 39.2 in March but remained ahead of January's record-low reading. Analysts say the index points to a nationwide recession lingering through at least the third quarter, but they expect the Mountain Region to experience a milder-than-average downturn.
- The Vectra Bank Colorado Small Business Index rose from 69.7 in January to 73.8 in February. Higher unemployment rates have a positive influence on the index as they generally make labor more available for small businesses. At the same time, global economic weakness and several other factors have offsetting negative impacts on the index value.

Labor Force and Employment

Metro Denver employers cut 6,000 jobs between January and February in a clear reversal from the hiring typically reported for the month. Eight of the region's 11 industry supersectors reported job losses on a year-to-date basis with the largest declines in natural resources and construction (-11 percent), professional and business services (-5.1 percent), and manufacturing (-5 percent). Only employers in Metro Denver's education and health services, other services, and government sectors reported year-to-date job gains in February. For all industries combined, the Metro Denver year-to-date employment growth rate reached -2.7 percent, compared to a -2.2 percent rate statewide and a -2.8 percent rate at the national level.

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

	Month of Feb-09 (p)	Month of Jan-09	Month of Feb-08	Year-to-Date Average 2009	Year-to-Date Average 2008	Year-to-Date Average % Change	Annual Growth Rate 2004	Annual Growth Rate 1999
Total 11-County Metro Denver*	1,360.7	1,366.7	1,405.7	1,363.7	1,401.2	-2.7%	0.8%	4.0%
Denver-Aurora MSA	1,196.5	1,203.7	1,237.2	1,200.1	1,234.3	-2.8%	0.8%	3.9%
Boulder-Longmont MSA	164.2	163.0	168.5	163.6	166.9	-2.0%	0.9%	4.4%
Natural Resources & Construction	83.6	85.7	95.4	84.7	95.1	-11.0%	-0.7%	10.4%
Manufacturing	84.1	84.6	88.5	84.4	88.8	-5.0%	-0.4%	-1.5%
Wholesale & Retail Trade	204.8	209.3	213.7	207.1	214.8	-3.6%	-0.1%	3.2%
Transp., Warehousing & Utilities	50.5	51.2	52.6	50.9	52.9	-3.9%	0.5%	6.1%
Information	55.3	55.8	58.0	55.6	57.9	-4.0%	-5.4%	11.7%
Financial Activities	100.0	101.4	105.5	100.7	105.4	-4.4%	-0.1%	3.8%
Professional & Business Services	227.0	230.5	242.1	228.8	241.1	-5.1%	3.5%	5.9%
Education & Health Services	156.2	154.7	151.3	155.5	150.3	3.5%	3.2%	1.3%
Leisure & Hospitality	137.7	136.8	141.7	137.3	141.4	-2.9%	2.6%	4.6%
Other Services	53.5	54.0	53.2	53.8	53.1	1.2%	1.7%	1.9%
Government	208.0	202.7	203.7	205.4	200.6	2.4%	-0.2%	1.4%
Federal Gov't	30.1	30.3	30.1	30.2	30.2	0.2%	-1.6%	-1.5%
State & Local Gov't	177.9	172.4	173.6	175.2	170.4	2.8%	0.1%	2.1%
Colorado	2,269.8	2,274.2	2,331.0	2,272.0	2,322.8	-2.2%	1.2%	3.6%
United States	132,099	132,347	136,356	132,223	136,098	-2.8%	1.1%	2.4%

**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

Announcements from companies in Metro Denver's industry clusters were mixed in March. Some companies are pursuing expansion plans while others are working to reduce capacity.

Aerospace: The United Launch Alliance (ULA) recently won a NASA contract to provide launch services, data tracking, and other support for four upcoming missions. Spokespeople for Centennial-based ULA say the contract is valued at $600 million, and the missions begin in 2011.

Energy: Xcel Energy recently announced a reduction to the new generation it plans to bring online. Company spokespeople say they made an 18 percent reduction to the utility's new generation forecast – which extends to 2015 – due to falling energy demand. Based on the new forecast, Xcel will seek 1,800 megawatts of wind, solar, and natural gas power over the next six years.

While many renewable energy experts say Xcel's decision is a setback for the industry, companies that expect energy demand to revive are still proceeding with growth plans. Energy experts also expect new infusions of federal money for clean energy to support the industry's near-term job growth. Officials say Colorado will receive an additional $42 million in government grants for clean energy on top of funds already promised through the $787 billion federal stimulus package. More than 30 of the state's city and county governments will receive the new grant funds.

In the meantime, many private-sector energy companies are already expanding. Littleton-based Ascent Solar Technologies, for example, opened its new Thornton manufacturing facility in late March. Company officials say the new plant can produce enough thin-film panels to generate 30 megawatts of solar energy, or roughly 20 times the amount of energy capacity produced at the existing Littleton facility. Officials also noted plans to hire 200 workers over the next two years.

In other solar energy developments, Westminster-based Tri-State Generation and Transmission Association Inc. recently announced plans for what will be one of the world's largest solar plants. Called the Cimarron I Solar Project, the plant will use 500,000 solar panels to generate 30 megawatts of solar energy in Colfax County, New Mexico.

Spokespeople for another energy company, Loveland-based AVA Solar, say the company recently changed its name to Abound Solar. The new brand is designed to reflect the company's commitment to broader markets and a low-cost solar panel manufacturing process.

Metro Denver companies are also pursuing developments in wind power. Vestas Wind Systems A/S, for example, recently broke ground on two manufacturing facilities in Brighton. The two plants – which will assemble blades and nacelles – could employ as many as 1,400 workers by the end of next year. One of Vestas' suppliers, Hexcel Corporation, has already broken ground on its own facility in Windsor.

Another member of Metro Denver's energy industry, Littleton-based Versa Power Systems Inc., say the company has built two stacks of Solid Oxide Fuel Cells that have surpassed a key threshold for continuous operation. That makes the environmentally friendly technology a better candidate for commercial-scale power generation, they say. The company's technology was developed under the U.S. Department of Energy's Solid State Energy Conversion Alliance program.

Bioscience: Spokespeople for Tapestry Pharmaceuticals say the Boulder-based company has filed for Chapter 11 bankruptcy protection. The company has struggled to finance its operations and recently reduced its workforce by more than half.

IT/Hardware: Fort Collins-based Advanced Energy Industries will cut more than 100 jobs in the city as part of a global headcount reduction. Spokespeople say cost containment measures are necessary in a deteriorating electronics market, but most of the job cuts will occur in Asia.

Another hardware company, IBM Corporation, may reduce its U.S. workforce by four percent. Such a reduction would amount to roughly 5,000 positions, but no announcements have been made regarding layoffs at the company's 3,400-worker campus in Boulder.

Telecommunications: Louisville-based Zayo Group is prepared for more network acquisitions thanks to a large infusion of venture capital, according to company spokespeople. The company has built much of its network in 23 states and 129 cities through acquisition of other fiber-optic network companies.

Broomfield-based Level 3 Communications is also expanding its influence. Company spokespeople say Level 3 will establish a wavelength network across North America for Telefonica International Wholesale Services. Under the agreement, Level 3 will serve more than 250 million customers in the company's largest-ever capacity commitment.

In other telecommunications news, Englewood-based DISH Network announced plans to add 250 sales and service positions in Metro Denver. Company spokespeople say the jobs will support a renewed emphasis on customer service and will be added at call centers in Littleton and Thornton.

Employment Outlook

While labor market data show a continued downtrend in employment, the results of the most recent *Manpower Employment Outlook Survey* suggest companies may moderate their job cuts in the coming months. A majority of survey respondents said they planned no staffing changes for the second quarter, and analysts say the trend reflects business attempts to balance cost reductions with the need for a solid staff base. *More specifically, 73* *percent of Denver Area employers and 66 percent of Boulder County employers plan no staffing changes for the second quarter, and roughly two-thirds of employers in the nationwide survey also plan no changes.* The share of Denver Area employers planning to hire workers in the second quarter fell to 10 percent from 22 percent in the second quarter of 2008, and the share of Boulder employers planning to hire fell to 14 percent from 20 percent in the prior year. Roughly one in seven Boulder Area employers has layoff plans for second quarter, compared to one in eight Denver Area employers.

Employment Outlook Survey

	Quarter 2 2009	Quarter 1 2009	Quarter 2 2008	YTD Avg 2009	YTD Avg 2008	Ann Avg 2004
Denver Area						
Percent of Companies Hiring	10%	15%	22%	13%	25%	24%
Percent of Companies Laying Off	13%	12%	7%	13%	11%	7%
Percent of Companies No Change	73%	70%	44%	72%	46%	62%
Percent of Companies Unsure	4%	3%	27%	4%	20%	8%
Boulder Area						
Percent of Companies Hiring	14%	18%	20%	16%	17%	N/A
Percent of Companies Laying Off	15%	13%	13%	14%	8%	N/A
Percent of Companies No Change	66%	65%	67%	66%	76%	N/A
Percent of Companies Unsure	5%	4%	0%	5%	0%	N/A

Note: 2009 results are for the Denver-Aurora and Boulder MSAs. Prior years' data are for slightly different geographies but are roughly comparable to 2009 figures.
Source: Manpower Inc.

Metro Denver's February unemployment rate surpassed the highest level reported during the 2001 recession as employers continued to cut jobs. The region's overall rate of 7.7 percent was up more than three percentage points from the February 2008 rate, and February rates among the seven counties ranged from 6.1 percent in Boulder County to nine percent in Adams County. While Metro Denver and Colorado labor markets are burdened with some of the highest unemployment rates reported in years, both markets are still in better condition than many markets nationwide. *The Metro Denver and Colorado unemployment rates averaged 7.5 percent and 7.4 percent through the first two months of the year, compared to an 8.7 percent rate at the national level.*

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

	Feb 2009 (p)		2009 YTD Avg		2008 YTD Avg		2004	1999
	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	1,527.9	7.7%	1,531.8	7.5%	1,528.0	4.6%	5.7%	2.4%
Adams County	225.2	9.0%	225.7	8.7%	223.7	5.2%	6.5%	2.7%
Arapahoe County	309.3	7.6%	310.3	7.3%	309.9	4.5%	5.6%	2.1%
Boulder County	177.7	6.1%	177.4	6.0%	177.4	4.0%	4.9%	2.6%
Broomfield County*	30.3	6.9%	30.4	6.7%	30.4	4.2%	5.8%	
Denver County	321.9	8.7%	322.8	8.4%	320.7	5.1%	6.6%	3.1%
Douglas County	156.3	6.5%	156.9	6.2%	157.5	3.9%	4.6%	1.4%
Jefferson County	307.3	7.4%	308.3	7.1%	308.4	4.5%	5.4%	2.2%
Colorado	2,713.2	7.6%	2,717.3	7.4%	2,705.4	4.7%	5.6%	2.9%
United States	153,804	8.9%	153,625	8.7%	152,666	5.3%	5.5%	4.2%

**Broomfield County was formed in November 2001 from parts of Adams, Boulder, Jefferson, and Weld Counties.*
Source: Colorado Department of Labor and Employment, Labor Market Information. (p) =preliminary

Rising unemployment rates are also driving an increase in claims for unemployment insurance. Slightly less than 3,000 claims per week were filed in Metro Denver through the first two months of the year, compared to less than 1,600 claims per week during the same months in 2008. Put another way, Metro Denver weekly claim activity has nearly doubled from activity early last year. Statewide, weekly claims through the first two months of 2009 averaged 5,244 in a 92 percent increase over 2008.

Weekly First-Time Unemployment Insurance Claims

	Month of Feb-09	Month of Jan-09	Month of Feb-08	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change
Metro Denver	2,977	2,861	1,371	2,919	1,563	86.8%
Colorado	5,279	5,209	2,296	5,244	2,735	91.7%

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

Consumer Sector

The February decline in U.S. retail sales was smaller than many analysts had predicted, although higher gasoline prices appear to be offsetting some of the overall drop in sales of other items. Data from the Department of Commerce show February sales falling 0.1 percent from January, and sales remained roughly 9 percent below the 2008 level. Sales declines have been more pronounced for specific items, particularly for automobiles and other durable goods. Department of Commerce figures show February sales of cars and auto parts down almost 24 percent from the prior year, and furniture and home furnishings sales were down almost 11 percent.

While the decline in consumer spending is perhaps most visible for cars, appliances, and other durable items, consumers are also changing their buying habits for smaller goods. That development – combined with an ongoing trend in Internet music downloads – is part of the reason Virgin Entertainment Group has decided to close all six U.S. Virgin Megastores, analysts say. The company's store at the Denver Pavilions will close.

More changes at the Denver Pavilions are likely to occur as the property's owner pursues a $25 million expansion and renovation project. Clothing retailer Forever 21, for example, announced plans to quadruple the size of its Pavilions location and will add a glass-front entry from Welton Street. The newly remodeled store will open in 2010.

As the retail environment continues to change, U.S. consumers are still facing significant pressures. The return of higher gas prices is one such pressure, although prices remain considerably below last year's highs. According to the AAA *Daily Fuel Gauge Report*, the U.S. average price per gallon of regular gasoline rose from $1.92 in February to $2.05 in March. Even so, March prices were more than $1 below the year-ago level. In Metro Denver, the March average price of $1.96 per gallon was up 20 cents from February but was also more than $1 below the March 2008 average.

Higher gas prices are also affecting the U.S. Consumer Price Index (CPI). Specifically, the U.S. Bureau of Labor Statistics reports that gas prices accounted for two-thirds of the overall increase in February CPI, even as gas prices remained significantly below their July 2008 peak. February's reading represented the second consecutive increase in CPI.

Local data show Metro Denver retail sales failed to keep pace with the 3.9 percent rate of inflation in 2008. The region's total sales through all twelve months of the year increased 2.3 percent from 2007, and sales in four of the region's seven counties – Arapahoe, Broomfield, Douglas, and Jefferson – declined over-the-year. Sales gains in the remaining counties ranged from 0.4 percent in Boulder County to 12.2 percent in Adams County. Statewide retail sales rose 2.6 percent in 2008.

Total Retail Sales ($000s)

	Month of Dec-08	Month of Nov-08	Month of Dec-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Annual Growth 2003	Annual Growth 1998
Total Metro Denver	10,592,769	6,200,673	11,160,561	90,026,839	87,994,903	2.3%	1.6%	8.2%
Adams County	1,425,491	1,123,930	1,434,267	15,728,089	14,022,951	12.2%	6.0%	9.2%
Arapahoe County	2,010,737	1,207,675	2,125,329	17,471,059	18,435,434	-5.2%	1.6%	6.8%
Boulder County	1,494,692	537,815	1,595,390	8,763,757	8,725,092	0.4%	4.4%	11.0%
Broomfield County	226,027	111,868	241,569	1,629,683	1,710,958	-4.8%	-6.5%	
Denver County	3,036,238	1,848,019	3,219,869	26,628,596	25,200,069	5.7%	-1.6%	7.9%
Douglas County	810,046	482,226	812,407	6,503,861	6,513,724	-0.2%	-2.7%	15.7%
Jefferson County	1,589,538	889,140	1,731,730	13,301,794	13,386,675	-0.6%	4.6%	5.9%
Colorado	19,094,898	10,313,287	19,530,641	152,588,255	148,691,538	2.6%	1.6%	6.9%

Source: Colorado Department of Revenue.

The U.S. Consumer Confidence Index was essentially unchanged between February and March. Survey respondents again expressed a negative view of the current economy, and expectations for the next six months remained weak. The Mountain Region confidence rose from 24.8 in February to 30.9 in March as slightly improved expectations for the future outweighed a pessimistic view of today's conditions.

Consumer Confidence Index

	Month of Mar-09 (p)	Month of Feb-09	Month of Mar-08	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change	Ann Avg 2004
Mountain	30.9	24.8	97.5	33.2	107.5	-69.1%	108.8
United States	26.0	25.3	65.9	29.6	76.5	-61.4%	96.1

Source: The Conference Board. (p) =preliminary

Metro Denver hotel occupancy rates followed a seasonal trend and increased between January and February, although occupancy rates and average room rates remain below last year's levels. *The region's occupancy rate averaged 50.6 percent through the first two months of 2009, which amounted to a 12 percent drop from the same months in 2008. The average room rate through the first two months of the year ($105.46) fell by a slightly smaller 4.2 percent.*

Metro Denver Hotel Statistics

	Month of Feb-09	Month of Jan-09	Month of Feb-08	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change	Annual 2004	Annual 1999
Percent of Hotel Rooms Occupied	51.6%	49.7%	59.1%	50.6%	57.5%	-12.0%	61.9%	67.2%
Average Hotel Room Rate	$105.99	$104.96	$110.75	$105.46	$110.06	-4.2%	$84.42	$87.36

Source: Rocky Mountain Lodging Report.

Weaker consumer and business travel trends are making for lighter traffic at Denver International Airport. *The airport's January passenger count of nearly 3.7 million fell 2.4 percent below the passenger count from January 2008.* Even with smaller passenger counts, though, local airport officials are still preparing for long-term growth. Denver International Airport will receive $12 million in federal stimulus dollars for runway upgrades, and Centennial Airport will receive more than $4 million.

Denver International Airport Passengers

	Month of Jan-09	Month of Dec-08	Month of Jan-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual 2004	Annual 1999
Number of Airline Passengers	3,669,679	4,073,246	3,760,828	3,669,679	3,760,828	-2.4%	42,275,913	38,034,017

Source: Denver International Airport, Traffic Statistics.

Several economic bright spots helped national stock indexes rise in March. *Each of the national indexes and the Bloomberg Colorado index increased from February, although year-to-date returns are still broadly negative.* The NASDAQ had the smallest year-to-date decline (-3.1 percent) of the national indexes in March, and the Bloomberg Colorado index fell 9.2 percent on a year-to-date basis.

Stock Market Indexes

	Month of Mar-09	Month of Feb-09	Month of Mar-08	YTD Return 2009	YTD Return 2008	Ann Avg Return 2004
Bloomberg Colorado	200.2	188.2	415.6	-9.2%	-7.7%	17.7%
S&P 500	797.9	735.1	1,315.2	-11.7%	-10.4%	9.0%
NASDAQ	1,528.6	1,377.8	2,261.2	-3.1%	-14.7%	8.6%
DJIA (Dow Jones)	7,608.9	7,062.9	12,216.4	-13.3%	-7.9%	3.1%

Sources: Bloomberg.com, Yahoo! Finance.

Residential Real Estate

Mortgage rates fell to historic lows below five percent in March, but lenders say high standards for credit and equity may limit borrowers' ability to take advantage of the rates for home buying and refinancing. Even so, applications for refinancing rose considerably in March.

Home Resales

Record-low mortgage rates and the newly enacted first time homebuyer tax credit may be boosting U.S. home sales, according to analysts with the National Association of Realtors (NAR). *Data from the NAR show existing home sales increased 5.1 percent between January and February as buyers – particularly first-time buyers – took advantage of low home prices and new housing policies.* Even with the increase, though, February's home sales remained almost five percent below sales from February 2008, which suggests that job uncertainty and overarching economic concerns are still thwarting homebuyers. On an over-the-year basis, February sales gains were strongest in the West (+30.4 percent). In the remaining U.S. regions, February sales remained between 10 and 15 percent below the prior year's levels.

Metro Denver home sales increased slightly (0.6 percent) between January and February, but the count of homes under contract – a forward-looking indicator of home sales – increased by a wider margin (+9.2 percent). The region's unsold inventory also increased slightly over-the-month but remained almost 20 percent below the 2008 level on a year-to-date basis. The region's average home prices are still falling, as evidenced by 16.5 percent and 14.9 percent year-to-date declines in average sale prices for single-family homes and condominiums, respectively.

Previously-Owned Home Sales Activity

	Month of Feb-09	Month of Jan-09	Month of Feb-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Ann Avg 2004	Ann Avg 1999
Home Sales (Under Contract)	4,183	3,831	5,126	8,014	9,676	-17.2%	66,196	38,248
Home Sales (Closed)	2,484	2,469	3,001	4,953	5,988	-17.3%	54,012	46,742
Unsold Homes on Market	20,059	19,748	25,037	20,059	25,037	-19.9%	23,267	9,350
Average Sales Price-Single Family	$236,920	$230,878	$278,871	$233,949	$280,039	-16.5%	$289,803	$208,274
Average Sales Price-Condo	$138,239	$148,509	$171,817	$143,630	$168,719	-14.9%	$180,986	$122,562
Median Sales Price-Single Family	$192,000	$181,500	$221,486	$185,000	$219,900	-15.9%	$236,240	
Median Sales Price-Condo	$117,725	$113,000	$133,750	$115,301	$134,000	-14.0%	$157,000	

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

Home Prices

Data from the NAR show distressed properties still account for almost half of all U.S. home sales, and the properties are keeping downward pressure on the nation's median home price. At $165,400 in February, the U.S. median home price fell 15.5 percent from February 2008. Median prices have fallen the most in the West (down 30.3 percent over-the-year in February), followed by prices in the South (-10 percent), Midwest (-7.8 percent), and Northeast (-4.8 percent).

While the S&P/Case-Shiller Home Price Indices rely on a different data source, the indices also suggest that home prices are still falling nationwide. Each of the 20 metro area indices – including the index for Denver – declined between December and January, and each of the indices also showed a negative annual rate of return. The annual rate of decline for the Denver index, however, ranked second smallest at -5.1 percent. Home price indices for areas including Las Vegas and Miami are still showing annual price declines near and above 30 percent, although analysts say declines are moderating in several areas.

A different data source – median quarterly home prices from the NAR – show the Denver-Aurora MSA median price fell 10.6 percent in 2008 while the national median declined 9.5 percent. These continued price declines are challenging Metro Denver homeowners, but the region's housing affordability has clearly improved. The Denver-Aurora median price ranked 44th highest of 155 metropolitan areas in 2008, and the region's median price moved closer to the national median. Specifically, the Denver-Aurora median home price was roughly 111 percent of the national median in 2008, compared to 132 percent of the national median in 2003. The Boulder-Longmont MSA median home price of $359,000 ranked 14th highest in 2008.

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

	Quarter 4 2008 (p)	Quarter 3 2008 (r)	Quarter 4 2007	YTD Avg 2008	YTD Avg 2007	YTD Avg % Change	Median 2003	Median 1998
Boulder-Longmont MSA	$324.4	$360.9	$371.1	$359.0	$376.2	-4.6%	$313.0	n/a
Denver-Aurora MSA	$200.8	$225.1	$230.1	$219.3	$245.4	-10.6%	$238.2	$152.2
United States	$180.1	$200.4	$205.7	$197.1	$217.9	-9.5%	$180.2	$136.0

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

Foreclosures

Data from RealtyTrac suggest the number of U.S. properties with foreclosure filings increased six percent between January and February and was almost 30 percent higher than the number reported in February 2008. The recently sporadic trend in U.S. filings could reflect the varying nature and timelines of state and federal foreclosure policy actions.

The number of foreclosure filings in most Metro Denver counties was fairly stable between January and February, while the number of filings in Denver County continues to decline by sizeable amounts. *Thanks to a year-to-date decline in filings for each of Metro Denver's seven counties, the region's total filings through the first two months of the year fell more than 25 percent from the same months in 2008.*

Real Estate Foreclosures

	Month of Feb-09	Month of Jan-09	Month of Feb-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual Total 2004
Total Metro Denver*	1,807	1,853	2,415	3,660	4,908	-25.4%	12,252
Adams County	388	424	612	812	1,121	-27.6%	2,498
Arapahoe County	439	403	580	842	1,156	-27.2%	3,125
Boulder County	93	77	80	170	171	-0.6%	524
Broomfield County**	23	22	25	45	59	-23.7%	134
Denver County	400	512	615	912	1,325	-31.2%	3,345
Douglas County	191	190	202	381	431	-11.6%	800
Jefferson County	273	225	301	498	645	-22.8%	1,826

**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.*
***February 2009 data for Broomfield were not available at the time of release; figure provided is an estimate.*
Sources: Various county public trustees in Metro Denver.

New Homes

Data from the U.S. Department of Commerce show U.S. new home sales increased by 4.7 percent between January and February. The increase was the first in months, although the overall rate of new home sales remained 41 percent below the sales rate from February 2008. Increased new home sales in the South and West were responsible for the nationwide sales gain in February, but sales in those regions declined over-the-year by 38.5 percent and 54.2 percent, respectively. February new home sales in the Northeast and Midwest were also down considerably from February 2008.

A separate Department of Commerce report shows an unexpected increase in U.S. housing starts in February. Total nationwide housing starts increased more than 22 percent from January, although the increase was disproportionately driven by multi-unit home construction. Specifically, an increase in starts on residential buildings with two or more units – including apartments, condominiums, and duplexes – accounted for 96 percent of the total increase in February housing starts. Despite the gain, February starts remained 47 percent below starts from February 2008, and starts in each U.S. region remained at least 43 percent below last year's levels.

While construction starts and several other housing indicators have improved slightly, builder confidence remains weak. The National Association of Homebuilders (NAHB)/Wells Fargo Housing Market Index (HMI) registered a single-digit reading of nine in both February and March. The index has stayed at single-digit levels for the past five months as difficult lending conditions and weakness in the existing homes market hamper new home purchases.

Building activity in Metro Denver remains weak. *Local jurisdictions issued 322 permits in February in a slight increase from the January permit count. Still, the count of permits issued through the first two months of this year fell more than 63 percent below the count from the same months in 2008.* Permits for multi-family (apartment) construction have declined the most year-to-date, followed by permits for single-family homes.

Residential Building Permits

	Month of Feb-09	Month of Jan-09	Month of Feb-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Total 2004	Total 1999
Single-Family Detached Units	133	139	331	272	670	-59.4%	14,260	17,523
Single-Family Attached Units	40	64	139	104	227	-54.2%	4,843	2,883
Multi-Family Units	149	20	376	169	586	-71.2%	2,681	4,784
Total Units	322	223	846	545	1,483	-63.3%	21,784	25,190

Source: Home Builders Association of Metro Denver.

Apartment Rental Market

Weak economic trends at the close of 2008 pushed Metro Denver apartment vacancy rates higher. The region's average rate rose from 6.5 percent in the third quarter of 2008 to 7.9 percent in the fourth quarter, and the fourth quarter rate was 1.8 percentage points higher than the vacancy rate from the fourth quarter of 2007. Average rental rates remained essentially flat as 2008 ended, but the average through all four quarters of the year still rose three percent above the average from 2007. At the county level, fourth quarter vacancy rates ranged from 6.1 percent in the Boulder/Broomfield area to 8.8 percent in Adams County. Analysts say more renters may be opting to share space for cost savings, which effectively increases the number of renters per unit and leaves more units vacant. That in turn increases vacancy rates, which have risen past what many consider an equilibrium rate of five percent.

Apartment Statistics

	Quarter 4 2008	Quarter 3 2008	Quarter 4 2007	YTD Average 2008	YTD Average 2007	YTD Average % Change	Annual Average 2003	Annual Average 1998
Apartment Vacancy Rate	7.9%	6.5%	6.1%	6.6%	6.2%		12.0%	4.4%
Average Monthly Rental Rate (all units)	$889	$892	$860	$882	$856	3.0%	$815	$695

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

Metro Denver's office market continued to weaken in the first quarter of 2009. *According to CoStar Realty Information, Inc., the region's direct vacancy rate rose from 12.7 percent in the fourth quarter of 2008 to 13.5 percent in the first quarter as poor economic conditions kept pressure on office market tenants. Average lease rates declined slightly in the first quarter and reached $21.18 per square foot, or essentially the same rate recorded one year ago.* Weak fundamentals and strained financial markets have had a particularly noticeable impact on office market development, as the total square footage under construction in the first quarter was roughly half the construction volume from the first quarter of 2008. The largest new office property completed so far this year is at 1515 Wynkoop Street in Denver, and five of the remaining eight buildings completed are located near Park Meadows Mall in Douglas County.

Office Market Statistics

	Quarter 1 2009	Quarter 4 2008	Quarter 1 2008	Quarter 1 2007	Quarter 1 2006	Quarter 1 2005
Number of Buildings	5,116	5,090	5,037	4,971	4,927	4,869
Existing Square Feet (millions)	160.6	159.9	157.7	156.5	154.8	153.7
Vacant Square Feet (direct, millions)	21.6	20.3	18.5	19.8	20.2	22.2
Vacancy Rate (direct)	13.5%	12.7%	11.7%	12.7%	13.0%	14.5%
Vacancy Rate (with sublet)	14.7%	13.8%	12.5%	13.6%	14.2%	15.9%
Avg. Lease Rate (direct, per sq. ft, full service)	$21.18	$21.24	$21.19	$19.73	$17.45	$16.91
New Construction Completed (year-to-date)	0.40 MSF, 9 Bldgs	2.19 MSF, 63 Bldgs	0.08 MSF, 8 Bldgs	0.34 MSF, 5 Bldgs	0.18 MSF, 9 Bldgs	0.16 MSF, 11 Bldgs
Currently Under Construction	1.85 MSF, 24 Bldgs	1.99 MSF, 37 Bldgs	3.49 MSF, 65 Bldgs	2.23 MSF, 76 Bldgs	1.21 MSF, 31 Bldgs	1.02 MSF, 32 Bldgs

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

Metro Denver's industrial market has also weakened, although the market's vacancy increase to date is smaller than the increase reported for the region's office market. *According to CoStar Realty Information, Inc., the direct industrial market vacancy rate rose from seven percent in the fourth quarter of 2008 to 7.2 percent in the first quarter of 2009. Average lease rates increased slightly to $5.14 per square foot, although the first quarter rate was essentially unchanged from the average reported one year ago.* While the impact of a weak economy on industrial market vacancy and lease rates has been somewhat moderate, the impacts on industrial development activity have been much larger. Just one industrial building was under construction in the first quarter, down from 15 buildings in the first quarter of 2008. The Denver Business Center and a property in Arapahoe County are the only two industrial buildings completed so far this year.

Industrial Market Statistics

	Quarter 1 2009	Quarter 4 2008	Quarter 1 2008	Quarter 1 2007	Quarter 1 2006	Quarter 1 2005
Number of Buildings	6,550	6,520	6,494	6,434	6,389	6,346
Existing Square Feet (millions)	213.1	212.2	210.1	207.4	205.3	203.4
Vacant Square Feet (direct, millions)	15.4	14.9	13.0	12.7	15.4	16.6
Vacancy Rate (direct)	7.2%	7.0%	6.2%	6.1%	7.5%	8.2%
Vacancy Rate (with sublet)	7.6%	7.4%	6.4%	6.5%	7.9%	8.8%
Avg. Lease Rate (direct, per square foot, NNN)	$5.14	$5.11	$5.15	$4.97	$4.80	$4.56
New Construction Completed (year-to-date)	0.11 MSF, 2 Bldgs	2.47 MSF, 41 Bldgs	0.28 MSF, 10 Bldgs	0.07 MSF, 2 Bldgs	0.73 MSF, 6 Bldgs	0.18 MSF, 8 Bldgs
Currently Under Construction	0.06 MSF, 1 Bldg	0.17 MSF, 3 Bldgs	1.26 MSF, 15 Bldgs	2.49 MSF, 28 Bldgs	0.83 MSF, 17 Bldgs	0.57 MSF, 9 Bldgs

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

Activity in Metro Denver's flex market continued to slow in the first quarter, according to CoStar Realty Information, Inc. *The direct flex market vacancy rate rose from 13.3 percent in the fourth quarter to 13.9 percent in the first quarter of 2009, and lease rates declined to $9.70 per square foot.* Like construction activity in the region's other markets, flex market development activity has slowed noticeably. Five flex buildings were under construction in the first quarter, compared to 15 buildings one year ago. The largest flex projects completed so far this year include the Vista Business Park in Boulder and developments in Adams and Jefferson Counties.

Flex Space Statistics

	Quarter 1 2009	Quarter 4 2008	Quarter 1 2008	Quarter 1 2007	Quarter 1 2006	Quarter 1 2005
Number of Buildings	1,332	1,327	1,306	1,289	1,272	1,244
Existing Square Feet (millions)	37.9	37.8	37.2	36.8	36.3	35.9
Vacant Square Feet (direct, millions)	5.3	5.0	4.4	4.7	4.5	5.3
Vacancy Rate (direct)	13.9%	13.3%	11.9%	12.8%	12.5%	14.8%
Vacancy Rate (with sublet)	14.5%	14.1%	12.6%	13.5%	13.2%	16.1%
Avg. Lease Rate (direct, per square foot, NNN)	$9.70	$9.92	$9.45	$8.76	$8.47	$8.20
New Construction Completed (year-to-date)	0.06 MSF, 3 Bldgs	0.77 MSF, 25 Bldgs	0.26 MSF, 5 Bldgs	0.00 MSF, 0 Bldgs	0.02 MSF, 1 Bldgs	0.06 MSF, 3 Bldgs
Currently Under Construction	0.22 MSF, 5 Bldgs	0.30 MSF, 8 Bldgs	0.35 MSF, 15 Bldgs	0.11 MSF, 3 Bldgs	0.50 MSF, 13 Bldgs	0.46 MSF, 18 Bldgs

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

The ongoing recession is pinching U.S. consumers and, by extension, retail real estate markets. *According to CoStar Realty Information, Inc., the Metro Denver direct retail market vacancy rate rose from 8.2 percent in the fourth quarter of 2008 to 8.6 percent in the first quarter, and average lease rates fell to $17.10 per square foot.* Square footage under construction in the retail market fell sharply from more than four million square feet in the first quarter of 2008 to roughly 331,700 square feet in the first quarter of 2009. The largest retail projects completed so far this year include stores in the River Point at Sheridan development and in several retail developments in Aurora.

Retail Market Statistics

	Quarter 1 2009	Quarter 4 2008	Quarter 1 2008	Quarter 1 2007	Quarter 1 2006	Quarter 1 2005
Number of Buildings	7,142	7,077	6,968	6,892	6,772	6,607
Existing Square Feet (millions)	148.0	147.2	143.5	141.5	138.1	132.8
Vacant Square Feet (direct, millions)	12.8	12.1	10.7	10.6	10.3	8.5
Vacancy Rate (direct)	8.6%	8.2%	7.5%	7.5%	7.4%	6.4%
Vacancy Rate (with sublet)	9.1%	8.5%	7.6%	7.7%	7.5%	6.6%
Avg. Lease Rate (direct, per square foot, NNN)	$17.10	$17.60	$16.94	$17.25	$15.47	$16.35
New Construction Completed (year-to-date)	0.68 MSF, 27 Bldgs	3.55 MSF, 99 Bldgs	0.20 MSF, 12 Bldgs	0.38 MSF, 7 Bldgs	N/A	N/A
Currently Under Construction	0.33 MSF, 15 Bldgs	2.05 MSF, 58 Bldgs	4.40 MSF, 72 Bldgs	5.79 MSF, 62 Bldgs	N/A	N/A

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

Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	⇓	⇓	Employment declined by 6,000 jobs Jan to Feb; YTD employment down 2.7% through Feb 2009.
% Companies Hiring (Denver Area)	⇓	⇓	10% of companies expect to add workers in Q2 2009 and 73% expect no change.
Unemployment Rate	⇑	⇑	Metro rate 7.7% in Feb; YTD avg. rate of 7.5% up from 4.6% in 2008.
Initial Unemployment Insurance Claims	⇑	⇑	Claims increased Jan to Feb; YTD claims up 86.8% through Feb 2009.
Total Retail Sales	⇑	⇑	Metro retail sales increased Nov to Dec; YTD sales up 2.3% through Dec 2008.
Consumer Confidence Index	⇑	⇓	Mountain Region up to 30.9 in Mar from 24.8 in Feb; index down 69.1% YTD through Mar 2009.
Hotel Occupancy	⇑	⇓	Hotel occupancy increased from 49.7% in Jan to 51.6% in Feb; occupancy down 12% YTD.
DIA Passengers	⇓	⇓	Traffic decreased 9.9% Dec to Jan; Jan 2009 traffic down 2.4% from Jan 2008.
Bloomberg Colorado Index	⇑	⇓	Bloomberg Colorado Index up 6.3% from Feb to Mar; year-to-date return at -9.2%.
Dow Jones Industrial Average	⇑	⇓	DOW increased 7.7% Feb to Mar; year-to-date return at -13.3%.
Home Sales (closed)	⇑	⇓	Home sales increased 0.6% Jan to Feb; YTD sales down 17.3% through Feb.
Median Home Price (Denver-Aurora MSA)	⇓	⇓	Median home price in Denver MSA down 10.8% Q3 to Q4 2008; YTD price down 10.6%
Foreclosures	⇓	⇓	Foreclosures decreased 2.5% Jan to Feb; YTD down 25.4% through Feb 2009.
Residential Building Permits (Total)	⇑	⇓	Total permits increased between Jan and Feb; YTD down 63.3% through Feb 2009.
Apartment Vacancy Rate	⇑	⇑	Vacancy rate increased from 6.5% in Q3 to 7.9% in Q4; avg rental rate at $889 per month.
Office Vacancy Rate (with Sublet)	⇑	⇑	Vacancy rate increased from 13.8% in Q4 to 14.7% in Q1; avg lease rate down to $21.18/sq.ft.
Industrial Vacancy Rate (with Sublet)	⇑	⇑	Vacancy rate increased from 7.4% in Q4 to 7.6% in Q1; avg lease rate up to $5.14/sq. ft. (NNN)
Retail Space Vacancy Rate (with Sublet)	⇑	⇑	Vacancy rate increased from 8.5% in Q4 to 9.1% in Q1; avg. lease down to $17.10/sq. ft. (NNN)
Positive Changes	**8 of 18**	**2 of 18**	

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10184 West Belleview Avenue
Suite 100
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