



**Metro Denver**  
Economic Development Corporation

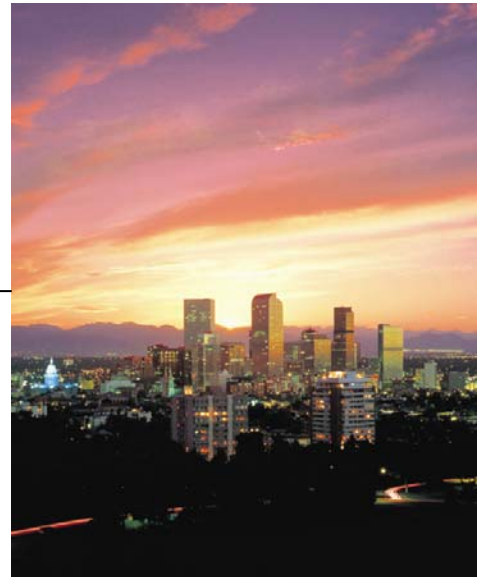
# Monthly Economic Summary

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

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

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# MONTHLY ECONOMIC SUMMARY

The Monthly Economic Summary is a comprehensive analysis of economic conditions in the seven-county Metro Denver area, or the region comprised of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson Counties. There are two metropolitan statistical areas (MSAs) located within the Metro Denver region: the Boulder-Longmont MSA (Boulder County) and the Denver-Aurora MSA (Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park Counties). This report presents recent data and long-term trends for the seven-county region, MSAs, or counties, depending on availability. The analysis includes four sections: labor force and employment, the consumer sector, residential real estate, and commercial real estate.

## Notable Rankings

- ◆ Denver ranks first among the nation's most desirable places to live, according to a recent poll by the Pew Research Center. Nearly 2,300 adults were interviewed for the survey, which is part of a broader study on where and why people move. Respondents most frequently mentioned Denver as the city where they would like to live, and Denver consistently ranked among the top ten when survey results were cross-tabulated by gender, income and education, and political preferences.
- ◆ The quarterly Market Risk Index released by PMI Mortgage Insurance Co. ranked Metro Denver among 10 regions with the least risk of home price declines over the next two years. Specifically, the Denver-Aurora MSA had the 10th-lowest risk of reporting a decline in prices between the third quarters of 2008 and 2010. The index showed a growing risk of home price declines in 369 of 381 metropolitan areas, so Metro Denver is among a small handful of regions with a relatively stable outlook.
- ◆ Denver ranked eighth on *Forbes'* annual list of the "Top 30 Most Wired American Cities" thanks to strong scores on the individual criteria. Denver ranked fifth for the number of companies offering high-speed Internet services and ranked among the top 20 cities for availability of public wireless Internet and broadband usage among households.
- ◆ Fifty-four percent of all residential moves in Colorado last year were inbound, according to the *2008 United Van Lines Migration Study*. That percentage ranked 12th among inbound rates for all states and Washington, DC, and researchers called Colorado's inbound-outbound trends "balanced." Nevada, North Carolina, and Washington, DC reported the highest inbound rates in 2008, and Michigan, North Dakota, and New Jersey reported the highest outbound rates.

## Special Section: Economic Stimulus

National and local economic stimulus measures are beginning the approval process. Timelines are highly uncertain, but some measures could take effect within a few weeks.

- ◆ Details on the federal economic stimulus package continue to emerge. Government analysts say the program could include infrastructure and renewable energy projects plus business and personal tax credits, all totaling more than \$800 billion. Using current funding formulas, Colorado lawmakers estimate the state could receive more than \$400 million in stimulus dollars for road construction and \$100 million for transit. They note, however, that the cash injection would only offset what the state may lose in other transportation funding this year. State and local transportation departments will also need to meet quick timelines for starting projects or risk losing stimulus dollars. Congressional leaders hope to have final stimulus legislation ready for presidential approval by mid-February.
- ◆ The U.S. Senate recently voted to release the second, \$350 billion half of funds for the \$700 billion Troubled Asset Relief Program (TARP). Details on second-round spending are limited, but the new administration has committed to use between \$50 and \$100 billion for foreclosure prevention efforts.

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Lawmakers have also sought to increase oversight of TARP spending. In one such move, the U.S. Treasury announced new reporting requirements for banks that received TARP money. Banks are now required to produce monthly reports that address lending and underwriting trends, and the reports will be made public. A first report covering the period from October through December was due January 31.

- ◆ Colorado legislators will discuss a state-level stimulus package in the coming weeks. The package includes nine measures that would support road and bridge repairs, give tax breaks to relocating companies, and extend loans to small businesses. Analysts say the measures may cost at least \$200 million but could be implemented with only limited new spending and fees.

## General Economic Overview

According to advance estimates from the U.S. Bureau of Economic Analysis (BEA), real gross domestic product (GDP) contracted at a 3.8 percent annual rate in the fourth quarter of 2008. That represents the largest contraction in GDP since 1982 and reflects weakness in most major components. Specifically, household spending accounted for almost 2.5 percentage points of the total decline as spending on durables and nondurables fell 22.4 percent and 7.1 percent in the fourth quarter. Business spending on equipment and software fell almost 28 percent in the fourth quarter, and U.S. exports declined almost 20 percent. Government spending was one of a small handful of GDP components that increased in the fourth quarter. The BEA will release a revised, preliminary estimate of fourth quarter GDP growth on February 27.

As the GDP estimates suggest, both domestic and global demand are contracting. That, in turn, means a shift in the nation's balance of trade. According to the U.S. Department of Commerce, the nation's trade deficit fell from \$56.7 billion in October to \$40.4 billion in November as imports declined by a record 12 percent. A record drop in the average price per barrel of crude oil was partly behind the shift, but weak consumer demand was also a major influence. The November decline in imports from China, for example, was the largest on record, and U.S. deficits with Canada and Mexico fell to their lowest levels in years. The nation's overall November deficit in goods and services was the smallest reported since November of 2003.

Because of these weakening conditions, the Federal Open Market Committee of the Federal Reserve (FOMC) left its interest rate target range unchanged at zero to 0.25 percent in late January. A statement from the FOMC meeting suggests that interest rates could remain low for an extended period, and the weak economy could keep inflation below desirable rates. Despite these significant pressures, the FOMC predicts a gradual recovery by late 2009. In the meantime, the Federal Reserve will continue to add liquidity to markets by purchasing assets directly. The FOMC next convenes on March 17.

Regional branches of the Federal Reserve are also observing weakness at the state level. The most recent Federal Reserve *Beige Book* report describes deteriorating economic conditions across a seven-state region that includes Colorado, Wyoming, and five other central states. Consumer spending fell across the region in late 2008, and the automotive sector reported particularly difficult conditions. Commercial and residential real estate activity continued to slow, and home prices and rental rates fell. Falling commodity prices have also slowed energy activity throughout the region, and near-term expectations in energy and nearly every other industry are pessimistic.

Even with these generally poor conditions, though, business opportunities still exist. Recent data show Colorado companies accounted for four of the 20 largest venture capital deals in the country last year, and the total dollar value of Colorado transactions rose to the highest level since 2001. Trends in mergers and acquisitions (M&A) were more mixed. Statewide, 339 M&A deals valued at \$11.4 billion closed in 2008, compared to 406 deals valued at \$87.2 billion in the prior year. Part of the dollar value decline occurred because several large deals skewed the 2007 figures, and the rest of the drop is consistent with a struggling economy.

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## Economic Indexes

Business and consumer confidence remains weak, so economic index readings are generally poor.

### *National Economy*

- ◆ The Conference Board's Index of Leading Economic Indicators increased 0.3 percent between November and December as the indicator for money supply offset negative trends in several indicators including building permits and unemployment insurance claims. Even with the increase, the leading index remains roughly five percent below its July 2007 peak.
- ◆ The Institute for Supply Management's Purchasing Managers Index rose from 32.9 in December to 35.6 in January. Index readings below 50 suggest the nation's manufacturing sector continues to contract, although the increase in January indicates a slower pace of decline. Survey respondents said weak activity in the automobile and housing sectors is driving the overall weakness in manufacturing.
- ◆ The Institute for Supply Management's Index of Non-Manufacturing Business Activity rose from 33 in November to 39.6 in December. The slight increase suggests the pace of contraction in the nation's service sector slowed at the end of 2008, but respondent comments reflected businesses' continued concern over difficult financing and slow customer traffic.

### *Local Economy*

- ◆ The Mountain States Business Conditions Index fell from 41.3 in December to a new record low of 31.6 in January. Analysts who assemble the index say the Mountain region's strong energy sector can no longer offset weak demand and a pronounced decline in manufacturing. They also suggest the region is in a recession that could last through at least the second quarter of 2009. The Business Conditions Index is released by the Goss Institute for Economic Research.
- ◆ The Vectra Bank Colorado Small Business Index declined from 85.7 in November to 82.8 in December. Viewed independently, the interest rate and unemployment rate components of the index suggest that Colorado small businesses have relatively good access to capital and workers. An overall contraction in credit and demand, however, are negating those benefits.
- ◆ The Colorado Business Leaders Confidence Index declined from 44 in the fourth quarter survey to a record low of 30.6 in the survey for the first quarter of 2009. The index is designed to gauge business expectations for the coming quarter, and 78 percent of survey respondents expected the national economy to decline through the three months ending in March. Respondents had a slightly more optimistic outlook for Colorado's economy, although two-thirds still expected the state's economy to decline in the first quarter. The survey responses also suggest that many Colorado business leaders are focused on cost savings and are delaying investments in capital and labor.

## **Labor Force and Employment**

Computer manufacturer Microsoft Corporation recently announced a layoff that will affect 5,000 employees. The layoffs will immediately affect 1,400 workers, and analysts note the major reduction is the first of its kind for the company since it began in 1975. Spokespeople say a weak market for personal computers made reduced headcount necessary, and the company will also pursue other cost-savings measures. Also citing poor demand for computers, semiconductor manufacturer Intel Corp. announced a 6,000-job layoff. Other companies that announced large layoffs in January included General Motors Corporation, The Home Depot, Caterpillar, Inc., and Eastman Kodak Co.

*Metro Denver job losses between November and December totaled 9,500, nearly half of which were positions lost in the professional and business services supersector. Across all industries, the region's over-the-year rate of*

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employment change turned negative in December (-0.6 percent) but remained essentially on par with the Colorado change rate (-0.7 percent) and ahead of the national rate (-2 percent). Because local labor markets were much stronger at the beginning of 2008, Metro Denver's annual average job growth rate reached one percent, compared to a 1.1 percent rate in Colorado and a -0.3 percent rate nationwide. Financial activities, manufacturing, and natural resources and construction reported net job losses in 2008, and Metro Denver's eight remaining industry supersectors reported a variety of trends. Specifically, annual growth rates for the remaining supersectors ranged from zero percent in the information and transportation, warehousing, and utilities sectors to 3.9 percent in education and health services.

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

	Month of Dec-08 (p)	Month of Nov-08	Month of Dec-07	Year-to- Date Average 2008	Year-to- Date Average 2007	Year-to- Date Average % Change	Annual Growth Rate 2003	Annual Growth Rate 1998
<b>Total 11-County Metro Denver*</b>	1,417.0	1,426.5	1,426.2	1,421.3	1,406.8	1.0%	-1.4%	4.0%
Denver-Aurora MSA	1,245.8	1,255.5	1,257.3	1,252.8	1,240.8	1.0%	-1.2%	4.0%
Boulder-Longmont MSA	171.2	171.0	168.9	168.5	166.0	1.5%	-2.8%	4.0%
Natural Resources & Construction	94.4	96.7	97.0	98.7	99.2	-0.5%	-7.1%	11.9%
Manufacturing	86.5	86.9	89.0	87.9	89.1	-1.4%	-4.9%	1.4%
Wholesale & Retail Trade	219.3	219.3	225.2	216.3	216.1	0.1%	-1.9%	3.0%
Transp., Warehousing & Utilities	51.7	51.8	53.7	52.2	52.2	0.0%	-8.0%	15.8%
Information	57.8	57.3	57.6	57.1	57.1	0.0%	3.4%	6.1%
Financial Activities	104.7	104.7	106.0	105.3	107.2	-1.8%	-1.3%	3.3%
Professional & Business Services	238.0	242.7	245.8	245.0	242.0	1.2%	2.6%	2.3%
Education & Health Services	155.7	155.6	150.4	152.7	146.9	3.9%	-0.6%	2.1%
Leisure & Hospitality	147.4	147.4	145.1	149.0	145.4	2.5%	-0.4%	2.1%
Other Services	52.9	53.0	52.2	52.9	52.2	1.5%	0.2%	2.0%
Government	208.6	211.1	204.2	204.3	199.4	2.5%	0.5%	0.2%
Federal Gov't	30.5	30.3	31.1	30.3	30.6	-1.2%	-2.9%	1.8%
State & Local Gov't	178.1	180.8	173.1	174.1	168.7	3.2%	1.4%	2.7%
Colorado	2,351.2	2,351.3	2,367.4	2,357.0	2,330.2	1.1%	-1.4%	3.9%
United States	136,119	137,073	138,934	137,248	137,623	-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

**Aerospace:** The University of Colorado (CU) and Louisville-based SpaceDev, Inc. recently launched eSpace, an aerospace incubator. The incubator will provide aerospace startups with a physical location at the SpaceDev facility near Boulder, grant funding, and opportunities to partner with the CU academics community. Three projects are already in line for the first round of eSpace funding.

New funding is also prompting changes for Longmont-based DigitalGlobe. The satellite imagery company is prepared to expand its headquarters in a Longmont facility in March, a move spokespeople say was necessary given the company's recent growth. The launch of DigitalGlobe's WorldView-1 satellite in 2007 and several other recent contracts have increased the company's satellite imagery production and grown its workforce.

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**Aviation:** United Airlines, the largest commercial carrier in Denver, will cut additional jobs in 2009 to offset weak travel demand and losses on fuel hedging contracts. In 2008, the airline announced plans to cut 8,000 jobs by the end of this year, and the company's recent announcement added an additional 1,000 positions to the cuts. United has not yet announced how the plans might affect employment in Denver, where the carrier cut about 600 positions last year.

The second-largest commercial carrier in Denver, Frontier Airlines, reported its most profitable December ever despite increasing economic troubles and falling travel demand. Spokespeople say restructuring efforts under the company's Chapter 11 bankruptcy filing are almost complete, but the company still needs the next several months to find and secure \$125 million in financing.

**Bioscience:** Boulder-based Array Biopharma Inc. recently announced a 40-position layoff and plans to reduce research spending over the next two years. The layoff represented 10 percent of the company's workforce.

**Energy:** The wind turbine manufacturing facilities of Vestas Wind Systems A/S are beginning to attract the company's key suppliers to Northern Colorado, according to economic development officials. Connecticut-based Hexcel Corporation, for example, recently announced plans for a \$16 million manufacturing facility to be located near Vestas in Windsor's Great West Industrial Park. Hexcel manufactures one of the materials used to make wind turbine blades, and spokespeople say the new facility will bring about 100 jobs.

A second Vestas supplier, Michigan-based Creative Foam Corporation, also has plans for a Northern Colorado facility. According to the CoStar Group, Creative Foam plans to sublease industrial space in Longmont until the building's master lease expires in 2011.

Longmont will also be the new home of global headquarters operations for the Control Solutions division of GE Energy. The company is moving from its current facility in Loveland in several phases, and spokespeople say the new facility will give the 180-employee company extra room it needs for growth. The move will be completed by the end of March.

Other local energy companies are also poised to grow. For example, Lakewood-based ZeaChem Inc. has raised \$34 million in investor dollars that will go towards construction of a biorefinery. The company has developed a bacterial process that converts wood to fuel.

**Financial Services:** Consolidations continue in the battered financial services industry. Chase Bank – which acquired Washington Mutual last year – plans to close 15 of Colorado's 40 Washington Mutual branches. Spokespeople have not yet announced which locations will close, but employees at those locations will be offered positions at other Chase branches.

Asset management company Oppenheimer Funds also announced consolidation efforts. Spokespeople say a total of 220 jobs will be cut from the company's workforce, which is located in Denver, New York, Boston, and other cities. Spokespeople did not disclose the specific number of cuts to be made in Denver.

**IT/Hardware:** Santa Clara, California-based Sun Microsystems recently began the first round of layoffs associated with an 18 percent staff reduction announced last year. A total of 1,300 positions were affected in the first round, 195 of which were based at the company's locations in Louisville and Broomfield.

Several other computer companies with local facilities have also announced job cuts. Hard-drive manufacturer Seagate Technology recently eliminated 187 positions in Longmont as part of an effort to cut almost 3,000 jobs worldwide. California-based Avago Technologies also announced a recent job reduction, but spokespeople did not describe specific impacts on the company's manufacturing facility in Fort Collins.

## Employment Outlook

The results of the most recent Manpower Employment Outlook Survey suggest that many Metro Denver employers will take a wait-and-see approach to hiring in the first quarter of 2009. In the Denver-Aurora MSA, 15

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percent of business respondents claimed they would add jobs in the first quarter, while 12 percent announced plans for layoffs and the remaining majority (70 percent) said they would leave current staff levels unchanged. In the Boulder MSA, 18 percent of respondents indicated plans to hire while 13 percent expected layoffs and 65 percent anticipated no change from current headcount.

Compared to respondents in the survey for the first quarter of 2008, respondents to the most recent survey were generally more inclined to leave staff levels unchanged as the new year begins. Respondents in Boulder, however, had more robust hiring plans than their peers from the prior survey. Hiring expectations weakened considerably over-the-year for Denver-area employers, whose outlooks were largely similar to nationwide averages. In the nationwide survey, 16 percent of respondents planned to hire in the first quarter of 2009 and 67 percent planned no staffing changes, compared to 22 percent planning to hire and 60 percent planning no changes in the first quarter survey for 2008. (*Note: The geography and industry coding structures in the Manpower Survey changed effective with the first quarter 2009 results, and comparisons to the prior year for the Denver-Aurora and Boulder MSAs may be influenced by these changes.*)

## Employment Outlook Survey

	Quarter 1 2009	Quarter 4 2008	Quarter 1 2008	YTD Avg 2009	YTD Avg 2008	Ann Avg 2004
<b>Denver Area*</b>						
Percent of Companies Hiring	15%	32%	27%	15%	27%	24%
Percent of Companies Laying Off	12%	14%	14%	12%	14%	7%
Percent of Companies No Change	70%	54%	47%	70%	47%	62%
Percent of Companies Unsure	3%	0%	12%	3%	12%	8%
<b>Boulder County</b>						
Percent of Companies Hiring	18%	33%	13%	18%	13%	N/A
Percent of Companies Laying Off	13%	13%	3%	13%	3%	N/A
Percent of Companies No Change	65%	51%	84%	65%	84%	N/A
Percent of Companies Unsure	4%	3%	0%	4%	0%	N/A

*\*Includes Adams, Arapahoe, Broomfield, Denver, Douglas, and Jefferson Counties.*

*Source: Manpower Inc.*

*Metro Denver and Colorado unemployment rates increased in December as local employers cut jobs at an accelerated pace. Metro Denver's December unemployment rate reached 6.1 percent and pushed the average monthly rate for all twelve months of the year to 5.1 percent. Similarly, the statewide unemployment rate reached 5.9 percent in December and averaged 5.1 percent for all of 2008. Annual unemployment rates across the seven Metro Denver counties ranged from 4.3 percent in Boulder County to 5.7 percent both in Adams County and the City and County of Denver.*

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

	Dec 2008 (p)		2008 YTD Avg		2007 YTD Avg		2003	1998
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Ann Avg Unemployment Rate	Ann Avg Unemployment Rate
Metro Denver	1,544.2	6.1%	1,548.7	5.1%	1,522.2	3.8%	6.4%	2.9%
Adams County	227.6	7.1%	227.7	5.7%	223.6	4.3%	7.2%	3.6%
Arapahoe County	315.7	6.1%	317.4	5.1%	312.0	3.8%	6.3%	2.7%
Boulder County	180.2	4.8%	179.3	4.3%	176.0	3.3%	5.8%	3.3%
Broomfield County*	26.5	6.0%	26.7	5.1%	26.2	3.8%	6.4%	
Denver County	320.6	7.0%	321.0	5.7%	315.0	4.3%	7.3%	4.1%
Douglas County	157.1	5.1%	158.4	4.4%	155.9	3.2%	5.3%	1.7%
Jefferson County	316.4	5.7%	318.3	4.9%	313.4	3.7%	5.9%	2.8%
Colorado	2,743.1	5.9%	2,756.5	5.1%	2,705.6	3.8%	6.1%	3.8%
United States	154,349	7.1%	154,287	5.8%	153,124	4.6%	6.0%	4.5%

\*Broomfield County was formed in November 2001 from parts of Adams, Boulder, Jefferson, and Weld Counties.

Source: Colorado Department of Labor and Employment, Labor Market Information. (p) =preliminary

Metro Denver claims for unemployment insurance declined between November and December but remained at elevated levels. An average of 3,074 claims were filed each week in December, and the average count for all weeks in 2008 reached 1,738 in a 43.5 percent increase over the average from 2007. At the statewide level, an average of 6,080 claims was filed each week in December, and the weekly average for 2008 increased 40.8 percent over the prior year's average.

## Weekly First-Time Unemployment Insurance Claims

	Month of Dec-08	Month of Nov-08	Month of Dec-07	YTD Avg 2008	YTD Avg 2007	YTD Avg % Change
Metro Denver	3,074	3,236	1,958	1,738	1,211	43.5%
Colorado	6,080	5,620	4,033	3,112	2,211	40.8%

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

Economists have varying explanations for a change in the U.S. personal savings rate, which rose to a level in the fourth quarter of 2008 (2.9 percent) that was four times the level from the fourth quarter of 2007. Some say increased savings makes more capital available for future investment and helps households control debt, but savings also means less spending and – potentially – a slower economic recovery. Other economists say the increased savings pool could merely reflect asset redemptions from consumers trying to supplement their income. In short, analysts are not certain if an increase in savings represents an emergency response to poor economic conditions or a longer-term shift in perspectives on spending. Either way, they estimate that households would need more than 17 years at the fourth quarter savings rate to recover recent losses in stock portfolios and real estate values.

Retailers are also wondering whether consumers' reigned-in spending habits represent a short-term phenomenon or a more enduring structural shift. Some retail consultants say dramatic declines in consumer spending will translate into lower prices and near-term inventory reductions, although other analysts say retailers may not be

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able to balance their supply and demand until the back-to-school season this fall. Many retailers are also concerned about how the deep discounts of recent weeks may affect consumers' longer-term price expectations and willingness to spend. Even Wal-Mart Stores Inc., one among few exceptions to the trend of dramatic sales declines, expects earnings through the quarter ended January 31 to fall below projections.

Other retailers faced with difficult conditions have been forced to close. Electronics retailer Circuit City Stores Inc. was unable to find a buyer through a Chapter 11 bankruptcy filing last year, so the company will now liquidate its U.S. stores. Analysts say the company's failure could result in more than 30,000 lost jobs and will add vacant, big-box real estate to already-struggling markets.

Additional retail closures will affect malls in Westminster and Colorado Springs. Spokespeople for Macy's say the company's stores in those locations will close as part of a downsizing that will affect 11 stores nationwide. The Westminster and Colorado Springs stores employ a combined 215 workers.

The slumping consumer demand that is challenging retailers is also alleviating consumer price pressures, although gas prices have had a larger influence on consumer costs. According to the U.S. Bureau of Labor Statistics, the U.S. Consumer Price Index fell one percent between November and December, and December's value was just 0.1 percent higher than the index value for December 2007. Seasonally-adjusted data suggest that a decline in gas prices accounted for 90 percent of the change in the index, and consumer prices excluding those for food and energy were essentially flat for the second consecutive month.

Lower gas prices gave consumers and businesses much-needed relief in late 2008, but prices are again on the rise. According to the AAA *Daily Fuel Gauge Report*, national average prices for regular gasoline rose more than 20 cents per gallon between December and January and ended the first month of 2009 at \$1.85 per gallon. In Colorado, the average price per gallon of regular gas reached a slightly lower \$1.72 at the end of January, and prices in Metro Denver averaged \$1.67. Some energy analysts say output controls by OPEC and refinery cutbacks are beginning to affect prices, as is activity by market traders who feel prices fell too far. These analysts tend to predict further gas price increases in the coming months, but others suggest that a continued fall in demand will limit suppliers' influence on prices.

*As national data reflect ongoing weakness in consumer demand, local data are just beginning to show softer trends. A typical seasonal shift helped Metro Denver retail sales decline between September and October, but the drop was slightly larger than it has been over the past several years. Over-the-year sales growth slowed to 0.2 percent in October, and each of the seven Metro Denver counties except Adams and Denver Counties reported over-the-year declines in October sales. Weaker October activity left the region's year-to-date sales growth rate at 4.6 percent, and Arapahoe County and the City and County of Broomfield reported year-to-date declines.*

## Total Retail Sales (\$000s)

	Month of Oct-08	Month of Sep-08	Month of Oct-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Annual Growth 2003	Annual Growth 1998
Total Metro Denver	7,074,486	8,152,621	7,059,713	73,233,397	70,010,981	4.6%	1.6%	8.2%
Adams County	1,281,783	1,467,191	1,182,089	13,178,668	11,467,379	14.9%	6.0%	9.2%
Arapahoe County	1,413,280	1,543,825	1,439,548	14,252,647	14,844,330	-4.0%	1.6%	6.8%
Boulder County	601,060	794,125	623,431	6,731,250	6,540,658	2.9%	4.4%	11.0%
Broomfield County	120,001	128,456	125,991	1,291,788	1,339,076	-3.5%	-6.5%	
Denver County	2,166,093	2,521,191	2,115,436	21,744,339	20,018,597	8.6%	-1.6%	7.9%
Douglas County	505,260	549,743	524,532	5,211,589	5,176,928	0.7%	-2.7%	15.7%
Jefferson County	987,009	1,148,090	1,048,686	10,823,116	10,624,013	1.9%	4.6%	5.9%
Colorado	11,676,049	13,620,805	11,615,479	123,180,070	117,843,092	4.5%	1.6%	6.9%

Source: Colorado Department of Revenue.

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The U.S. Consumer Confidence Index remained at an all-time low in January. While the underlying Present Situation and Future Expectations indexes did not deteriorate significantly over the past month, they still point to a highly pessimistic consumer outlook. The Mountain Region Consumer Confidence Index edged up slightly in January but remained more than 64 percent below the reading from January 2008.

## Consumer Confidence Index

	Month of Jan-09 (p)	Month of Dec-08	Month of Jan-08	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change	Ann Avg 2004
Mountain	43.9	37.2	122.8	43.9	122.8	-64.3%	108.8
United States	37.7	38.6	87.3	37.7	87.3	-56.8%	96.1

Source: The Conference Board. (p) =preliminary

Metro Denver hotel occupancy rates followed a typical seasonal trend and declined between November and December. Lower travel demand also affected Metro Denver occupancy rates throughout 2008, as rates were slightly weaker than the prior year in all months except April, July, and August. Overall, Metro Denver's average monthly occupancy rate declined three percent in 2008, while average room rates increased 6.3 percent. A separate report notes that Metro Denver average room rates rose to a record level in 2008, and the report attributes almost 30 percent of that gain to hotel activity associated with the Democratic National Convention.

## Metro Denver Hotel Statistics

	Month of Dec-08	Month of Nov-08	Month of Dec-07	YTD Avg 2008	YTD Avg 2007	YTD Avg % Change	Annual 2003	Annual 1998
Percent of Hotel Rooms Occupied	42.8%	51.3%	47.2%	65.0%	67.0%	-3.0%	59.5%	70.0%
Average Hotel Room Rate	\$98.91	\$111.26	\$97.91	\$118.27	\$111.21	6.3%	\$84.79	\$87.52

Source: Rocky Mountain Lodging Report.

Recent passenger traffic data for Denver International Airport (DIA) reflect the heightened uncertainty and falling travel demand of late 2008. Total traffic declined 11.4 percent between October and November, and the November traffic count fell 4.7 percent below traffic from November 2007. On a year-to-date basis, the total count of DIA passengers through the first 11 months of 2008 rose 2.6 percent over the same months in 2007.

## Denver International Airport Passengers

	Month of Nov-08	Month of Oct-08	Month of Nov-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Annual 2003	Annual 1998
Number of Airline Passengers	3,679,384	4,154,517	3,861,636	47,172,186	45,976,986	2.6%	37,505,138	36,831,400

Source: Denver International Airport, Traffic Statistics.

Stock market indexes essentially gave back December gains in January. The Dow Jones Industrial Average (DJIA) is down by the largest amount (-8.8 percent) so far this year, followed by the S&P 500 (-8.6 percent) and the NASDAQ (-6.4 percent). The Bloomberg Colorado index performed slightly better with a -4.6 percent return through the end of January.

# MONTHLY ECONOMIC SUMMARY

## Stock Market Indexes

	Month of Jan-09	Month of Dec-08	Month of Jan-08	YTD Return 2009	YTD Return 2008	Ann Avg Return 2004
Bloomberg Colorado	210.4	220.5	423.4	-4.6%	-6.0%	17.7%
S&P 500	825.9	903.3	1,378.6	-8.6%	-6.1%	9.0%
NASDAQ	1,476.4	1,577.0	2,389.9	-6.4%	-9.9%	8.6%
DJIA (Dow Jones)	8,000.9	8,776.4	12,650.4	-8.8%	-4.6%	3.1%

Sources: Bloomberg.com, Yahoo! Finance.

## Residential Real Estate

### Home Resales

December existing home sales increased unexpectedly as some buyers took advantage of historically low interest rates and prices. According to the National Association of Realtors (NAR), total U.S. sales increased 6.5 percent from November but remained 3.5 percent below the sales pace from December 2007. The total number of existing home sales for 2008 reached 4.9 million, or a level 13.1 percent below the 2007 level. The 2008 home sales volume was also the lowest recorded since 1997, analysts say. December existing home sales were down from the prior year in all U.S. regions except the West, where sales rose 31.6 percent over the December 2007 total. The Midwest was the next-strongest market in December, with a sales total that was 10.3 percent below the prior year's level.

Consistent with the national trend, Metro Denver home sales increased between November and December. A total of 3,234 closed home sales in the last month of 2008 brought annual total sales to more than 47,800, which amounts to a 3.9 percent decline from the 2007 total. In dollar terms, total Metro Denver sales volume reached \$11.95 billion in 2008, or a level 14.8 percent below the sales volume from 2007. The much larger decline in dollar sales volume, brokers say, is attributable to falling average home prices. The Metro Denver average single-family home price for 2008 was approximately \$270,300, which is 12.9 percent below the 2007 average. Condominium prices averaged \$171,400 in 2008 and were down five percent from the 2007 average.

### Previously-Owned Home Sales Activity

	Month of Dec-08	Month of Nov-08	Month of Dec-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Ann Avg 2003	Ann Avg 1998
Home Sales (Under Contract)	3,286	3,637	3,401	62,647	61,663	1.6%	29,703	40,916
Home Sales (Closed)	3,234	2,920	3,219	47,837	49,789	-3.9%	47,966	45,951
Unsold Homes on Market	19,600	21,761	24,603	19,600	24,603	-20.3%	24,660	12,583
Average Sales Price-Single Family	\$240,945	\$242,557	\$287,874	\$270,261	\$310,418	-12.9%	\$277,856	\$185,785
Average Sales Price-Condo	\$162,770	\$161,615	\$177,805	\$171,350	\$180,321	-5.0%	\$175,215	\$115,235
Median Sales Price-Single Family	\$196,000	\$195,000	\$220,000	\$219,900	\$245,000	-10.2%	\$230,000	
Median Sales Price-Condo	\$125,000	\$130,000	\$140,000	\$138,000	\$150,000	-8.0%	\$154,000	

Source: MetroList, Inc.

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

### Home Prices

According to the NAR, distressed and deeply discounted sales currently account for 45 percent of U.S. real estate transactions. As a result, home prices are still falling in many areas. The national median home price was \$175,400 in December and was more than 15 percent below the median from December 2007. The 2008 annual median price of \$198,600 was down 9.3 percent from the 2007 level, and the largest price declines were

# MONTHLY ECONOMIC SUMMARY

concentrated in the West. Specifically, the December median home price in the West was down 31.5 percent from the prior year's level, while median home price declines in the Northeast (-7.8 percent), South (-8 percent), and Midwest (-11.4 percent) were smaller.

*November marked the 28th consecutive month of decline for S&P/Case-Shiller's 10-City and 20-City Composite Home Price Indices. On an annual basis, the 10-City and 20-City indices declined by 19.1 percent and 18.2 percent in November. The largest over-the-year declines among the sub-indices were those for Phoenix (-32.9 percent), Las Vegas (-31.6 percent), and San Francisco (-30.8 percent). By contrast, the index for Denver shows comparatively stable price trends. In November, the Denver index registered the second-largest annual rate of return (-4.3 percent) and the smallest over-the-month decline (-1.1 percent).*

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

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

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

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

## Foreclosures

According to an annual report by RealtyTrac, nearly 3.2 million foreclosure filings were made on more than 2.3 million U.S. properties in 2008. That represents an 81 percent increase in properties from 2007 and a 225 percent increase in properties from 2006.

*In Metro Denver, an increase in filings between November and December brought the annual foreclosure total to 24,821. Despite the late-year increase, the region's foreclosure filings still declined 6.4 percent between 2007 and 2008, and several counties reported much larger declines. The City and County of Denver, for example, recorded 17 percent fewer filings in 2008 than in 2007, and filings declined by 8.6 percent in Adams County. Several other counties reported over-the-year increases in foreclosures for 2008, with the sharpest gains in Douglas County (+16.8 percent), the City and County of Broomfield (+7.5 percent), and Boulder County (+6 percent).*

# MONTHLY ECONOMIC SUMMARY

## Real Estate Foreclosures

	Month of Dec-08	Month of Nov-08	Month of Dec-07	YTD Total 2008	YTD Total 2007	YTD Total % Change
Total Metro Denver*	1,971	1,728	2,869	24,821	26,521	-6.4%
Adams County	404	336	688	5,657	6,192	-8.6%
Arapahoe County	433	490	708	5,859	6,237	-6.1%
Boulder County	94	84	120	1,040	981	6.0%
Broomfield County	25	21	22	272	253	7.5%
Denver County	428	399	825	6,145	7,405	-17.0%
Douglas County	258	122	162	2,179	1,865	16.8%
Jefferson County	329	276	344	3,669	3,588	2.3%

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

## New Homes

Data from the U.S. Department of Commerce show a 14.7 percent decline in the rate of new home sales between November and December. The December sales pace fell 44.8 percent below the new home sales pace from December 2007, and sales were down over-the-year by an even larger margin in the Northeast (-50 percent), West (-47.4 percent), and South (-4.6 percent). New home sales in the Midwest declined by a smaller 31.1 percent over-the-year.

Data on new homebuilding activity was similarly bleak. According to the Department of Commerce, the rate of starts on all types of privately owned housing declined 15.5 percent between November and December. December housing starts were down 45 percent over-the-year, and starts fell by an even larger margin (49.5 percent) in the South. December's over-the-year decline in housing starts was slightly smaller in the Midwest (-41.6 percent), Northeast (-38.6 percent), and West (-38.5 percent).

Poor conditions in the new homes market and broader economic concerns continue to push the National Association of Homebuilders (NAHB)/Wells Fargo Housing Market Index (HMI) to new lows. The index declined from nine in December to eight in January, and January regional indexes were even lower in the Midwest (six) and West (four). Analysts say the sub-indexes for current sales conditions, sales expectations, and prospective buyer traffic each remained at or near historic lows.

*In Metro Denver, residential construction activity remains weak. Local jurisdictions issued slightly more than 500 permits for residential construction in November, with the majority of those permits for multi-family (apartment) units. With November's volume at less than half of the permit volume from October, total permits through the first 11 months of the year fell 32.7 percent below permits for the same months in 2007.*

## Residential Building Permits

	Month of Nov-08	Month of Oct-08	Month of Nov-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Total 2003	Total 1998
Single-Family Detached Units	187	210	327	3,547	6,786	-47.7%	12,656	16,058
Single-Family Attached Units	19	78	132	1,256	4,510	-72.2%	3,755	3,527
Multi-Family Units	302	993	31	4,180	2,042	104.7%	1,858	7,794
Total Units	508	1,281	490	8,983	13,338	-32.7%	18,269	27,379

Source: Home Builders Association of Metro Denver.

# MONTHLY ECONOMIC SUMMARY

## 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

A recent report by Grubb & Ellis Company suggests that Metro Denver's outperforming office market finally succumbed to national economic pressures in the fourth quarter of 2008. Steady vacancy rate increases – while not good news for the market – suggest that limited new construction and a diverse industry base have so far helped Metro Denver avoid the dramatic vacancy spikes of prior downturns. Using data from prior business cycles, Grubb & Ellis analysts note that 15 quarters tend to pass between an initial increase in vacancy and a decline in vacant space. Based on that assumption, they expect Metro Denver's office market to rebound in 2010.

Data from CoStar Realty Information, Inc. suggest that Metro Denver's office market weakened throughout 2008. The region's direct vacancy rate increased slightly each quarter and ended the year at 12.8 percent, or one percentage point higher than the 11.8 percent rate from the fourth quarter of 2007. Slower market activity essentially reversed gains in lease rates that occurred in the second and third quarters, and average rates ended the year at \$21.15 per square foot. Despite its changing fundamentals, 2008 still proved to be a year of solid office market construction activity. More than two million square feet of space in 63 buildings was completed throughout the year, with major projects including the Palazzo Verdi building in Arapahoe County and 1400 Wewatta in Denver. As developers and property owners face financial challenges and poor sales conditions, though, the pace of building activity is poised to slow as 2009 begins. By the end of the fourth quarter, office property under construction totaled two million square feet in 37 buildings, compared to 3.4 million square feet under construction in the prior year.

Disciplined construction activity is generally a positive factor for the current national market, however. A recent report by Marcus & Millichap suggests that more restrained construction activity over the past several years will now help many office markets avoid the dramatic spikes in vacancy observed in prior downturns. Not all markets have the same advantages – office vacancy rates are rising, particularly in overbuilt California and Florida markets. The report also expects more difficult conditions in markets near major financial centers, and conditions in previously-strong markets including Denver and Houston are also expected to deteriorate. Overall, though, the report emphasizes that restraint prior to the downturn will help many office markets rebound in 2010.

# MONTHLY ECONOMIC SUMMARY

## Office Market Statistics

	Quarter 4 2008	Quarter 3 2008	Quarter 4 2007	Quarter 4 2006	Quarter 4 2005	Quarter 4 2004
Number of Buildings	5,067	5,055	5,004	4,941	4,895	4,831
Existing Square Feet (millions)	159.4	158.3	157.2	155.8	154.2	153.1
Vacant Square Feet (direct, millions)	20.4	19.5	18.6	20.0	20.4	22.3
Vacancy Rate (direct)	12.8%	12.3%	11.8%	12.8%	13.2%	14.5%
Vacancy Rate (with sublet)	13.9%	13.2%	12.6%	13.8%	14.5%	16.2%
Avg. Lease Rate (direct, per sq. ft, full service)	\$21.15	\$21.41	\$20.77	\$18.69	\$17.41	\$16.93
New Construction Completed (year-to-date)	2.19 MSF, 63 Bldgs	1.05 MSF, 44 Bldgs	1.38 MSF, 58 Bldgs	1.55 MSF, 41 Bldgs	0.73 MSF, 42 Bldgs	1.20 MSF, 38 Bldgs
Currently Under Construction	1.99 MSF, 37 Bldgs	3.41 MSF, 54 Bldgs	3.36 MSF, 66 Bldgs	1.33 MSF, 53 Bldgs	1.34 MSF, 38 Bldgs	0.72 MSF, 28 Bldgs

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

A recent report by Grubb & Ellis Company suggests that Metro Denver's industrial market – while weakening – is still outperforming the national market. This is particularly true in the region's Northwest and Boulder submarkets, where renewable energy activity has increased demand for flex and incubator space. Other Metro Denver submarkets more reliant on warehousing and distribution have not fared as well as consumer spending continues to slump. On the whole, though, the report views Metro Denver's diverse industry base, long-term growth prospects, and stable population trends as significant advantages in a downturn.

While Metro Denver's industrial market maintained momentum through much of 2008, the market finally weakened in the fourth quarter. According to CoStar Realty Information, Inc., the direct vacancy rate rose to 6.9 percent from 6.5 percent in the third quarter while average lease rates remained essentially steady at \$5.13 per square foot. The market's earlier strength supported a considerable amount of new construction, as nearly 2.5 million square feet was completed in 41 buildings including the Whirlpool facility in Adams County and the Digicomm building in Arapahoe County. Building activity nearly halted in the fourth quarter, though, as only 170,000 square feet in three buildings remained under construction.

## Industrial Market Statistics

	Quarter 4 2008	Quarter 3 2008	Quarter 4 2007	Quarter 4 2006	Quarter 4 2005	Quarter 4 2004
Number of Buildings	6,514	6,507	6,472	6,420	6,376	6,330
Existing Square Feet (millions)	211.5	210.9	209.1	206.7	204.5	202.9
Vacant Square Feet (direct, millions)	14.5	13.6	12.3	13.7	15.9	16.3
Vacancy Rate (direct)	6.9%	6.5%	5.9%	6.7%	7.8%	8.0%
Vacancy Rate (with sublet)	7.2%	6.9%	6.1%	7.0%	8.1%	8.6%
Avg. Lease Rate (direct, per square foot, NNN)	\$5.13	\$5.14	\$5.04	\$4.94	\$4.69	\$4.59
New Construction Completed (year-to-date)	2.47 MSF, 41 Bldgs	1.77 MSF, 33 Bldgs	1.67 MSF, 29 Bldgs	1.65 MSF, 28 Bldgs	1.30 MSF, 40 Bldgs	1.82 MSF, 34 Bldgs
Currently Under Construction	0.17 MSF, 3 Bldgs	0.90 MSF, 11 Bldgs	1.80 MSF, 21 Bldgs	2.11 MSF, 28 Bldgs	0.86 MSF, 19 Bldgs	0.33 MSF, 14 Bldgs

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

Like Metro Denver's office market, the region's flex market weakened throughout 2008. According to data from CoStar Realty Information, Inc., direct vacancy rates rose from 12.1 percent in the fourth quarter of 2007 to 12.9 percent in the fourth quarter of 2008. Despite the weaker fundamentals, lease rates remained fairly steady and averaged \$9.87 per square foot in the fourth quarter. Building activity also remained steady between the third and fourth quarters, with nearly 300,000 square feet in eight projects under construction as 2008 ended. Projects in

# MONTHLY ECONOMIC SUMMARY

Boulder County represented 25 percent of the new flex space added in 2008, and major projects were also completed in Douglas and Jefferson Counties.

## Flex Space Statistics

	Quarter 4 2008	Quarter 3 2008	Quarter 4 2007	Quarter 4 2006	Quarter 4 2005	Quarter 4 2004
Number of Buildings	1,337	1,332	1,312	1,297	1,279	1,250
Existing Square Feet (millions)	38.5	38.3	37.7	37.4	36.8	36.4
Vacant Square Feet (direct, millions)	5.0	4.8	4.6	5.0	5.1	5.7
Vacancy Rate (direct)	12.9%	12.6%	12.1%	13.4%	13.7%	15.6%
Vacancy Rate (with sublet)	13.8%	13.7%	13.0%	14.1%	14.3%	17.0%
Avg. Lease Rate (direct, per square foot, NNN)	\$9.87	\$9.89	\$9.30	\$8.53	\$8.38	\$8.28
New Construction Completed (year-to-date)	0.77 MSF, 25 Bldgs	0.59 MSF, 20 Bldgs	0.25 MSF, 12 Bldgs	0.46 MSF, 15 Bldgs	0.37 MSF, 21 Bldgs	0.12 MSF, 6 Bldgs
Currently Under Construction	0.30 MSF, 8 Bldgs	0.38 MSF, 11 Bldgs	0.16 MSF, 6 Bldgs	0.09 MSF, 2 Bldgs	0.46 MSF, 15 Bldgs	0.37 MSF, 17 Bldgs

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

A recent report by Grubb & Ellis Company suggests that the impacts of a poor holiday sales season and weak economic outlook have not been fully realized in the retail market. For example, many of the stores that recently announced closures have not yet ceased operations, and the smallest retailers are not included in vacancy rate calculations. By contrast, slower retail construction has been an immediately noticeable result of economic weakness in Metro Denver, and the report notes that building owners could struggle to find tenants for recently completed vacant space. The near-term retail outlook is not entirely without positive factors, however. *The report notes that a relatively strong outlook for quick-service restaurants could boost the retail market this year, and government stimulus programs could help provide a much-needed consumer confidence boost later in 2009.*

Data from CoStar Realty Information, Inc. show direct vacancy rates in Metro Denver's retail market rising throughout 2008. The rate registered 8.2 percent as 2008 ended, nearly one percentage point higher than the 7.3 percent rate from the fourth quarter of 2007. Average lease rates also declined through the second half of the year, although the fourth quarter average of \$17.60 per square foot remained above the \$17.01 average from the fourth quarter of 2007. Despite the slower market activity, 2008 remained a relatively strong year for retail market construction. More than 3.5 million square feet of space was added in 99 buildings, including the Shops at Vallagio in Arapahoe County, the Lifetime Fitness Center in Adams County, and the Victorian Peaks development in Douglas County. Slightly more than two million square feet of retail space remained under construction as 2008 ended, including Riverpoint at Sheridan in Arapahoe County and Shoenberg Farms in Jefferson County.

The Gardens on Havana – the mixed-use redevelopment of Aurora's Buckingham Square Mall – is one of few retail projects currently under construction. Retail tenants including Kohl's, Dick's Sporting Goods, and several smaller stores are scheduled to open over the next several months, and the completed center will offer close to one million square feet of retail space. Developers say they will base the timeline of the project's residential development on market conditions.

*At the national level, retail market conditions continue to be difficult. A Marcus & Millichap report notes that retail vacancy rates have risen steadily despite reduced construction, and the report expects closures of large anchor tenants – and the resulting impact on neighbors – to continue through much of 2009. Lease renegotiations and difficult sales conditions are likely to continue as well.*

# MONTHLY ECONOMIC SUMMARY

## Retail Market Statistics

	Quarter 4 2008	Quarter 3 2008	Quarter 4 2007	Quarter 4 2006	Quarter 4 2005	Quarter 4 2004
Number of Buildings	6,828	6,809	6,729	6,656	6,520	6,352
Existing Square Feet (millions)	145.7	145.4	142.8	140.5	135.9	130.4
Vacant Square Feet (direct, millions)	11.9	11.3	10.4	10.3	9.4	7.9
Vacancy Rate (direct)	8.2%	7.8%	7.3%	7.4%	6.9%	6.0%
Vacancy Rate (with sublet)	8.5%	8.0%	7.6%	7.5%	7.1%	6.3%
Avg. Lease Rate (direct, per square foot, NNN)	\$17.60	\$17.83	\$17.01	\$16.87	\$15.50	\$15.85
New Construction Completed (year-to-date)	3.55 MSF, 99 Bldgs	2.55 MSF, 73 Bldgs	1.60 MSF, 41 Bldgs	4.77 MSF, 54 Bldgs	N/A	N/A
Currently Under Construction	2.05 MSF, 58 Bldgs	2.94 MSF, 72 Bldgs	6.30 MSF, 81 Bldgs	4.71 MSF, 60 Bldgs	N/A	N/A

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

# MONTHLY ECONOMIC SUMMARY

## Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↓	↑	Employment declined by 9,500 jobs Nov to Dec; YTD employment up 1% through Dec 2008.
% Companies Hiring (Denver Area)	↓	↓	15% of companies expect to add workers in Q1 2009.
Unemployment Rate	↑	↑	Metro rate 6.1% in Dec; YTD avg. rate of 5.1% up from 3.8% in 2007.
Initial Unemployment Insurance Claims	↓	↑	Claims decreased Nov to Dec; YTD claims up 43.5% through Dec 2008.
Total Retail Sales	↓	↑	Metro retail down 13.2% from Sep to Oct; YTD sales up 4.6% through Oct 2008.
Consumer Confidence Index	↑	↓	Mountain Region up to 43.9 in Jan from 37.2 in Dec; index down 64.3% compared to Jan 2008.
Hotel Occupancy	↓	↓	Hotel occupancy decreased from 51.3% in Nov to 42.8% in Dec; occupancy down 3% YTD
DIA Passengers	↓	↑	Traffic decreased 11.4% Oct to Nov; YTD traffic up 2.6% through Nov 2008.
Bloomberg Colorado Index	↓	↓	Bloomberg Colorado Index down 4.6% from Dec to Jan; year-to-date return at -4.6%.
Dow Jones Industrial Average	↓	↓	DOW decreased 8.8% Dec to Jan; year-to-date return at -8.8%
Home Sales (closed)	↑	↓	Home sales increased 10.8% Nov to Dec; YTD sales down 3.9% through Dec.
Median Home Price (Denver-Aurora MSA)	↔	↓	Median home price in Denver MSA essentially unchanged Q2 to Q3 2008; YTD price down 10%
Foreclosures	↑	↓	Foreclosures increased 14.1% Nov to Dec; YTD down 6.4% through Dec 2008.
Residential Building Permits (Total)	↓	↓	Total permits decreased between Oct and Nov; YTD down 32.7% through Nov 2008.
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 13.2% in Q3 to 13.9% in Q4; avg lease rate down to \$21.15/sq.ft.
Industrial Vacancy Rate (with Sublet)	↑	↑	Vacancy rate increased from 6.9% in Q3 to 7.2% in Q4; avg lease rate down to \$5.13/sq. ft. (NNN)
Retail Space Vacancy Rate (with Sublet)	↑	↑	Vacancy rate increased from 8% in Q3 to 8.5% in Q4; avg. lease down to \$17.60/sq. ft. (NNN)
<i>Positive Changes</i>	<b>3 of 18</b>	<b>4 of 18</b>	



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