



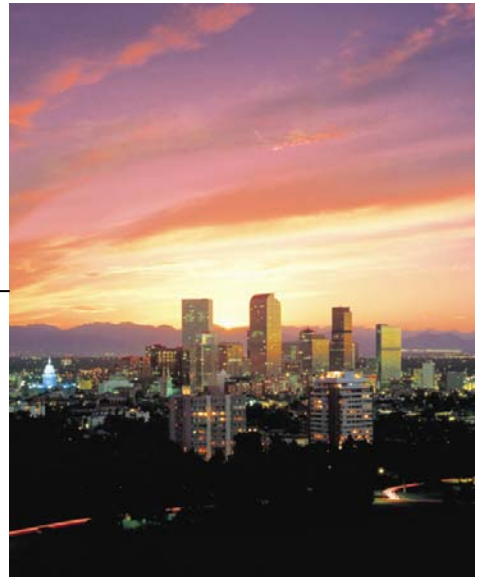
Metro Denver
Economic Development Corporation

Monthly Economic Summary

A Monthly Summary of Economic Conditions in Metro Denver

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

Released March 3, 2009



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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

- ◆ Metro Denver ranks 12th among the nation's 75-healthiest housing markets, according to a recent study by *Builder* magazine and Hanley Wood Market Intelligence. The report recognizes Metro Denver's stable home prices, population growth, and relatively strong commercial real estate market as factors that will help the area recover more quickly from the housing downturn.
- ◆ A recent ranking by *Forbes* magazine calls Metro Denver the nation's sixth-best housing market. The ranking is based on factors that measure the overall drop in prices, the deceleration (or acceleration) of home price declines, and the amount of equity lost by homeowners.
- ◆ Metro Denver is less likely to struggle with "distressed" retail real estate than many other metropolitan areas, according to a recent study by Madison Marquette. The study ranks 63 metro areas based on retail vacancy, the velocity of increases in vacancy, net absorption, the inventory pipeline, and pre-leasing. Metro Denver ranked 22nd among the 63 areas.
- ◆ Colorado has one of the nation's most favorable business tax climates, according to the *2009 Facts & Figures* report by the Tax Foundation. Colorado ranked 13th overall on the business tax climate index and 15th on the corporate tax index, both of which are measures of how taxes affect economic activity. On both indexes, lower rankings reflect more business-friendly tax systems.
- ◆ *BusinessWeek* recently recognized several Colorado universities in its annual ranking of "The Top Undergraduate Business Programs." The College of Business at Colorado State University in Fort Collins ranked 67th among the top 100 programs, and the Leeds School of Business at the University of Colorado Boulder ranked 89th. The business program at the University of Denver was reportedly not included in this year's ranking due to insufficient survey responses.
- ◆ A recent report by the Boulder-based Brewers' Association shows Colorado has the nation's highest number of craft breweries per capita. Craft brew sales and production slowed nationwide as the economy weakened in 2008, but the number of Colorado craft breweries still rose to a record of 101.
- ◆ Denver ranks among the top 25 best U.S. cities for independent filmmakers, according to a recent report by *MovieMaker* magazine. The ranking identifies the best places for filmmakers to live and work based on cost of living, financial incentives for films, local talent, and other factors. Denver ranked 20th overall.

Special Section: Economic Stimulus

February was a busy month for policymakers as several major pieces of economic stimulus legislation won final approval.

- ◆ Government officials introduced the **Financial Stability Plan** – the second generation of the Troubled Asset Relief Program (TARP) – in early February. Using the remaining \$350 billion in TARP money, the new program will add additional funds to a Federal Reserve Program designed to revive consumer lending. Funds will also be spent on capital injections for banks and an investment clearinghouse for distressed assets. The

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Obama administration also committed \$50 billion to foreclosure prevention efforts through the Homeowner Affordability and Stability Plan (see below).

- ◆ President Obama signed the \$787 billion **Economic Recovery and Reinvestment Plan** into law at a Denver ceremony on February 17. Details of the plan are still emerging, but the most recent government estimates of spending are as follows:
 - **\$165 billion for tax relief**, including an extended Homebuyer Tax Credit, tax credits for college expenses, and the Making Work Pay Tax Credit. The latter credit will give workers within certain income thresholds extra take-home pay in 2009 and 2010. Annual amounts will range between \$400 and \$800 depending on income level and marital status, and eligible workers will receive the extra amounts through automatic withholding adjustments that begin this summer.
 - **\$144 billion in state and local assistance** designed to help governments avoid cuts in essential services.
 - **\$142 billion for protecting vulnerable populations** through investments in programs including Temporary Assistance for Needy Families (TANF) and the Supplemental Nutrition Assistance Program (food stamps).
 - **\$126 billion for infrastructure and science programs** through investments in highway funds, transit, and other programs.
 - **\$78 billion for education and training** through investments in special education and Head Start as well as spending on computers and other modernizations for schools.
 - **\$65 billion for energy** including funds for low-income weatherization programs and funding for renewable energy research.
 - **\$59 billion for healthcare** including investments in the COBRA and Medicaid programs.
 - **\$8 billion in other spending.**
- ◆ President Obama introduced the \$275 billion **Homeowner Affordability and Stability Plan** on February 18. The plan is expected to launch on March 4, and many banks have placed a moratorium on foreclosures until the plan can be implemented.
 - The **affordability** portion of the program targets five million “responsible” homeowners unable to refinance because their homes have lost value. Previously, homeowners who owed more than 80 percent of the value of their homes were not eligible to refinance. Under the new rules, homeowners with conforming loans owned by Fannie Mae and Freddie Mac can refinance as long as they owe no more than 105 percent of their home’s value.
 - The **stability** portion of the program has several components. First, the government will spend up to \$75 billion helping another three-to-four million homeowners approaching foreclosure. Essentially, the government will share lender costs of reducing loan payments to no more than 31 percent of a borrower’s monthly gross income. Lenders and servicers will receive cash incentives to modify loans, and borrowers who stay current will receive incentive payments that will go towards their principal.
 - To further stabilize the housing market, the U.S. Treasury will double its purchases of stock in Fannie Mae and Freddie Mac and will continue purchasing the entities’ mortgage-backed securities. The entities will also be allowed to expand their mortgage portfolios.
- ◆ Government estimates suggest that stimulus spending in Colorado will create or retain 59,000 jobs over the next two years. Not all analysts agree with this estimate, but state officials are still moving quickly to meet

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spending deadlines for some stimulus programs. State departments of transportation, for example, must commit at least half of their highway stimulus dollars by early July to avoid losing the funds. Colorado's expected share of the transportation and other stimulus provisions – which add to more than \$2 billion – are estimated as follows:

- **\$403.9 million for highway projects and \$103.5 million for mass transit.**
 - **More than \$130 million** for spending on low-income weatherization programs and renewable energy research.
 - **More than \$66 million** in spending for clean water and drinking water programs.
 - **Almost \$232 million** in spending on food stamps, TANF, and other social assistance programs.
 - **At least \$33 million** in law enforcement grants.
 - **More than \$60 million** in funding for low-income and public housing programs.
 - **More than \$900 million** in funds intended for school modernization, special education, and other school needs.
 - **More than \$168 million** in funding for extensions of the unemployment insurance program, vocational rehabilitation, and labor-related grants.
- ◆ Government interventions in the banking system continue, although policymakers are working to ease fears about nationalization. The Treasury Department finalized a deal in late February that will convert part of its preferred shares in Citigroup to common stock. Because common stock does not have the same dividend payment obligations of preferred shares, the conversion should improve the bank's capital standing. The conversion also increases the government's stake in Citigroup to roughly 36 percent and potentially leaves public funds more exposed to the bank's future losses and gains. Policymakers say the Citigroup deal could serve as a template for federal support of other struggling banks.

The U.S. Treasury is also continuing efforts to support American International Group (AIG). A deal finalized in late February will make an additional \$30 billion available to the company and reduce the interest it owes on debt from three previous government interventions.

General Economic Overview

The U.S. Bureau of Economic Analysis (BEA) recently revised its fourth quarter 2008 estimate of real GDP change from -3.8 percent to -6.2 percent. The new estimate reflects the largest quarterly drop in real GDP since 1982 and reduced 2008 annual GDP growth to 1.1 percent from the prior estimate of 1.3 percent. According to BEA analysts, the \$74.4 billion downward revision to fourth quarter growth reflected poorer-than-expected trends for exports, household spending on nondurable goods, and several other GDP categories. The BEA will release a final revision to the fourth quarter growth estimate on March 26.

The decline in exports is also affecting the U.S. balance of trade. The nation's trade deficit improved from \$41.6 billion in November to \$39.9 billion in December as domestic and foreign demand both contracted. According to the U.S. Department of Commerce, the December deficit was the lowest recorded in five years, and export volume fell to its lowest level since May 2007. Imports of goods and services also fell and reached the lowest level reported since September 2005. In addition to weaker demand, lower prices for crude oil are also a factor in the declining deficit. Specifically, the U.S. deficit with OPEC countries in December reached its lowest level in five years.

Weakening economic activity in the U.S. and abroad is forcing many economists to revise their forecasts. The Federal Open Market Committee of the Federal Reserve (FOMC) recently issued revised projections that suggest

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U.S. unemployment could rise as high as 8.8 percent in 2009 and remain above eight percent in 2010. The forecast also expects U.S. output (GDP) to decline in 2009 by as much as 1.3 percent. This predicted decline is notable as the last full-year drop in GDP (-0.2 percent) was recorded in 1991. Some FOMC members suggested the nation's economy could take more than five years to return to long-run average rates of unemployment, output, and inflation. The FOMC next convenes for a two-day meeting beginning on March 17.

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 for the second consecutive month in January, but analysts say the gains are not necessarily the end of an index contraction that extends back to July 2007. They note that money supply and interest rates – both heavily influenced by Federal interventions – are still behind most of the positive change in the index, and many of the remaining indicators continue to be weak.
- ◆ The Institute for Supply Management's Purchasing Managers Index rose from 35.6 in January to 35.8 in February, which suggests the nation's manufacturing sector is still weakening. None of the 18 manufacturing industries reported growth in February, and survey respondents said customers worldwide remain extremely cautious.
- ◆ The Institute for Supply Management's Index of Non-Manufacturing Business Activity rose from 38.9 in December to 44.2 in January, which suggests that a four-month contraction in the nation's service sector slowed as 2009 began. Survey respondents in the healthcare sector described business conditions as generally strong, but respondents in arts and entertainment, accommodation and food services, and professional and business services noted a continued deterioration in their markets.

Local Economy

- ◆ The Mountain States Business Conditions Index rose from a record low of 31.6 in January to 44.6 in February, but the index still signals economic contraction as it remains below 50. Analysts who assemble the index say economic weakness is widespread throughout the mountain region, even in the previously robust energy sector. The Business Conditions Index is released by the Goss Institute for Economic Research.
- ◆ The Vectra Bank Colorado Small Business Index fell from a revised 81.9 in December to 79.2 in January as the recession took a growing toll on local companies. The index is now at its lowest level since 2002.
- ◆ 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

January labor force and employment figures are not yet available as the Colorado Department of Labor and Employment and the U.S. Bureau of Labor Statistics are currently conducting an annual benchmark data review. The following overview of December labor force and employment data is repeated from last month's publication. Revised historical data and new figures for January 2009 will be released on March 11.

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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 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, while 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
Total 11-County Metro Denver*	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

Aviation: Spokespeople for Dallas-based Southwest Airlines say the carrier will cut three Denver flights effective June 28. Southwest is working to reduce its nationwide capacity by four percent, and one daily flight from Denver to each of four cities – Las Vegas, Salt Lake City, Albuquerque, and Phoenix – will be eliminated as part of those efforts. Spokespeople added that Denver remains a growth area for Southwest, and the airline may still increase its Denver capacity by moving flights from other cities.

Energy: Difficult economic conditions are increasingly affecting the renewable energy industry. While Denmark-based Vestas Wind Systems A/S is continuing with plans for new facilities in Brighton and Pueblo, the company recently warned that cuts in jobs and capital spending might be necessary if orders remain weak. Vestas officials

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say collapsed credit markets and reduced consumer demand have changed plans for many wind energy developers. Even so, renewable energy incentives included in economic stimulus legislation could benefit the wind energy industry in the coming months.

Other energy companies are also proceeding cautiously in a difficult and changing economic climate. Suncor Energy, for example, recently quit an \$80 million project designed to convert beetle-kill trees and other wood waste into fuel. Not all energy companies are stalling plans, however. Lakewood-based ZeaChem is set to begin construction on a cellulosic ethanol plant in Boardman, Oregon. The demonstration plant could open in early 2010 and will use a new refining process that spokespeople say produces 40 percent more fuel than standard methods. Another energy company, Houston-based ConocoPhillips, recently purchased more than nine acres of land adjacent to the former Sun Microsystems campus. ConocoPhillips is continuing with plans to redevelop the campus and will use the newly acquired land for transportation and access improvements.

Renewable energy research efforts are also moving forward despite the weaker market. Xcel Energy recently announced a partnership with the National Center for Atmospheric Research in Boulder and the National Renewable Energy Laboratory in Golden that will help the utility develop accurate forecasts of local wind activity. Given that information, Xcel workers will know when to adjust the power grid's reliance on wind turbines. Spokespeople say more accurate forecasts will make transmission of wind power more reliable and cost effective.

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 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.)*

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Employment Outlook Survey

	Quarter 1 2009	Quarter 4 2008	Quarter 1 2008	YTD Avg 2009	YTD Avg 2008	Ann Avg 2004
Denver Area*						
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%
Boulder County						
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 in both Adams County and the City and County of Denver.

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

	Dec 2008 (p)		2008 YTD Avg		2007 YTD Avg		2003 Ann Avg	1998 Ann Avg
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Unemployment Rate	Unemployment Rate
Metro Denver	1,544.2	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.

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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

The U.S. recession has noticeably reduced families' net worth, according to a recent study by the Federal Reserve. The study – part of a broader survey on consumer finances – suggests that the median net worth of U.S. families declined 17.8 percent between 2007 and October of 2008. Considering only primary residence and stock holdings as sources of net worth, the median declined 15 percent.

Falling net worth is one factor in weaker retail sales, although U.S. sales rose unexpectedly in January. Total retail sales increased one percent from December, but the January total remained more than nine percent below sales from January 2008 and at least partly reflected lower gas prices and post-holiday clearance shopping. U.S. retail sales have now declined over-the-year for five consecutive months, and the weakness is spurring large layoffs for retailers including Macy's, Wal-Mart, and Liz Claiborne.

Sales weakness is also exacting a toll on auto manufacturers and dealers. Figures from Autodata show U.S. vehicle sales in January fell to the lowest level since 1982. Sales declined by 50 percent or more for Chrysler, Ford, and General Motors, and Toyota and Nissan each reported sales declines of at least 30 percent. Local auto sales data point to similarly bleak trends. According to the Colorado Automobile Dealers' Association, the state's new vehicle registrations – a proxy for new vehicle sales – declined almost 17 percent in 2008. Analysts say the decline is one of the largest in the state's history and easily surpassed the seven percent drop reported in 2003.

In addition to overall economic weakness, oil price uncertainty could be giving pause to potential car buyers. Even though oil prices have fallen recently, some analysts expect gas prices to rise and reach \$2 to \$2.50 per gallon over the next several months. The seeming disconnect between falling oil and rising gas prices is occurring because the common oil price benchmark – the West Texas Intermediate price – does not actually represent most of the oil used to produce U.S. gasoline. That oil comes from foreign suppliers and typically trades at prices \$5 to \$10 below the West Texas price, but weak oil demand has led to a glut of domestic supply. As a result, the West Texas price has fallen below the cost of foreign oil.

U.S. gas prices are indeed rising, although they 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 to \$1.88 as February ended, but the average was still less than half of the average price in July 2008. In Metro Denver, the late-February average price of \$1.77 per gallon was slightly below the national average.

While rising gas prices are an unwelcome development for consumers, government data suggest they are helping to prevent excessive deflation. Data from the U.S. Bureau of Labor Statistics show the U.S. Consumer Price Index (CPI) rose slightly (0.4 percent) in January after five consecutive months of decline. Part of the gain was tied to the energy index, which rose in January for the first time in six months. Even with the increase, the energy index remained more than 31 percent below its peak level from July 2008. Compared to the level from January 2008, the overall January CPI was essentially unchanged.

A separate Bureau of Labor Statistics data set shows the Denver-Boulder Greeley CPI rose 3.9 percent in 2008 after a 2.2 percent increase in 2007. Local prices for apparel, medical care, transportation, and recreation rose at

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faster-than-average rates in 2008, while prices for education and communication, food and beverages, housing, and other goods and services rose at slower rates.

Local data on retail sales show consumer activity eroding through the final months of 2008. November retail sales in Metro Denver declined 9.1 percent from November 2007, and year-to-date sales growth for the region slowed to 3.4 percent from 4.6 percent in the prior month. Sales trends continue to vary for the seven Metro Denver counties, with Arapahoe, Douglas, and Broomfield Counties reporting a decline in sales for the 11-month period ended in November. Statewide November retail sales dropped 8.7 percent from the prior year, and year-to-date sales growth measured 3.4 percent.

Total Retail Sales (\$000s)

	Month of Nov-08	Month of Oct-08	Month of Nov-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Annual Growth 2003	Annual Growth 1998
Total Metro Denver	6,200,673	7,074,486	6,823,361	79,434,070	76,834,342	3.4%	1.6%	8.2%
Adams County	1,123,930	1,281,783	1,121,305	14,302,598	12,588,684	13.6%	6.0%	9.2%
Arapahoe County	1,207,675	1,413,280	1,465,775	15,460,322	16,310,105	-5.2%	1.6%	6.8%
Boulder County	537,815	601,060	589,044	7,269,065	7,129,702	2.0%	4.4%	11.0%
Broomfield County	111,868	120,001	130,313	1,403,656	1,469,389	-4.5%	-6.5%	
Denver County	1,848,019	2,166,093	1,961,603	23,592,358	21,980,200	7.3%	-1.6%	7.9%
Douglas County	482,226	505,260	524,389	5,693,815	5,701,317	-0.1%	-2.7%	15.7%
Jefferson County	889,140	987,009	1,030,932	11,712,256	11,654,945	0.5%	4.6%	5.9%
Colorado	10,313,287	11,676,049	11,290,183	133,493,357	129,133,275	3.4%	1.6%	6.9%

Source: Colorado Department of Revenue.

The U.S. Consumer Confidence Index fell to a new low in February as consumers' assessment of current labor market and general business conditions worsened. Expectations for the next six months also darkened, suggesting consumers are not yet confident about the prospects for economic recovery. The Mountain Region confidence index fell to 27.4 in February from 44 in the prior month, and the year-to-date average through the first two months of 2009 fell more than 68 percent from the prior year.

Consumer Confidence Index

	Month of Feb-09 (p)	Month of Jan-09	Month of Feb-08	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change	Ann Avg 2004
Mountain	27.4	44.0	102.1	35.7	112.5	-68.3%	108.8
United States	25.0	37.4	76.4	31.2	81.9	-61.9%	96.1

Source: The Conference Board. (p) =preliminary

Metro Denver hotel occupancy rates followed a seasonal trend and increased between December and January, although the January occupancy rate fell 11.3 percent below the rate from January 2008. Average room rates also increased in January but were four percent below the average from the prior year. Travel industry analysts expect weaker trends to persist throughout much of 2009 as households and businesses cut costs.

Metro Denver Hotel Statistics

	Month of Jan-09	Month of Dec-08	Month of Jan-08	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change	Annual 2004	Annual 1999
Percent of Hotel Rooms Occupied	49.7%	42.8%	56.0%	49.7%	56.0%	-11.3%	61.9%	67.2%
Average Hotel Room Rate	\$104.96	\$98.91	\$109.37	\$104.96	\$109.37	-4.0%	\$84.42	\$87.36

Source: Rocky Mountain Lodging Report.

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Denver International Airport (DIA) handled a record 51.2 million passengers in 2008 as total traffic increased 2.8 percent from 2007. Airport officials expect weaker travel trends in 2009, and some aviation analysts predict total U.S. air traffic will not rebound to 2008 levels until 2013 or later. Even so, DIA traffic has already exceeded the capacity the airport was designed to accommodate, and officials are moving ahead with several improvement projects. The expansion for Concourse C and several other projects remain on hold, but work on other projects including an airport FasTracks station and an off-concourse hotel will proceed.

Denver International Airport Passengers

	Month of Dec-08	Month of Nov-08	Month of Dec-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Annual 2003	Annual 1998
Number of Airline Passengers	4,073,246	3,679,384	3,886,366	51,245,334	49,863,352	2.8%	37,505,138	36,831,400

Source: Denver International Airport, Traffic Statistics.

National stock indexes fell to 12-year lows as February ended and economic stimulus legislation failed to calm investor fears. The year-to-date return for the Dow Jones Industrial Average fell to -19.5 percent at month's end, and the return on the S&P 500 reached -18.6 percent. The year-to-date returns on the NASDAQ and Bloomberg Colorado indexes were slightly less negative at -12.6 percent and -14.6 percent, respectively.

Stock Market Indexes

	Month of Feb-09	Month of Jan-09	Month of Feb-08	YTD Return 2009	YTD Return 2008	Ann Avg Return 2004
Bloomberg Colorado	188.2	210.4	411.6	-14.6%	-8.6%	3.8%
S&P 500	735.1	825.9	1,330.6	-18.6%	-9.4%	-0.8%
NASDAQ	1,377.8	1,476.4	2,271.5	-12.6%	-14.4%	0.0%
DJIA (Dow Jones)	7,062.9	8,000.9	12,266.4	-19.5%	-7.5%	-1.6%

Sources: Bloomberg.com, Yahoo! Finance.

Residential Real Estate

Data recently released by Seattle-based Zillow.com suggests that more than 34 percent of mortgage holders in the Denver-Aurora MSA could qualify for refinancing under the Homeowner Affordability and Stability Plan. Put another way, the figures suggest more than one-third of Denver-Aurora homeowners have loans for amounts that exceed 80 percent of their home values. Some local analysts dispute the Zillow figures and note that Metro Denver's home values have remained much more stable than values elsewhere.

Home Resales

Data from the National Association of Realtors (NAR) show U.S. existing home sales fell 5.3 percent between December and January as buyers faced job worries and uncertainty over economic stimulus legislation. The NAR expects increased buyer confidence as the details of housing stimulus become more clear, and NAR analysts say the combination of stimulus measures and low interest rates could add an additional 900,000 U.S. home sales in 2009. Analysts warn, though, that housing stimulus will not affect sales data immediately. Because a buyer's housing search and purchase and the time needed to tabulate sales data can span five months or more, stimulus-related improvements in the housing market may not show in sales and price figures until this summer. In the meantime, regional markets continue to report different sales trends. On an over-the-year basis, January home sales declines were the smallest in the South (-15.9 percent) and Midwest (-16.7 percent). Current sales volumes in the West and Northeast are 20 to 30 percent below last year's levels.

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Metro Denver home sales fell almost 24 percent between December and January, although the January count of homes under contract – a forward-looking indicator of potential sales – rose slightly. Unsold inventory increased slightly in January but remained 19.4 percent below the inventory level from January 2008. The continued slide in home prices left the January single-family average 17.9 percent below the level from January 2008, and average condominium prices fell 10.3 percent.

Previously-Owned Home Sales Activity

	Month of Jan-09	Month of Dec-08	Month of Jan-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Ann Avg 2004	Ann Avg 1999
Home Sales (Under Contract)	3,831	3,286	4,550	3,831	4,550	-15.8%	66,196	38,248
Home Sales (Closed)	2,469	3,234	2,987	2,469	2,987	-17.3%	54,012	46,742
Unsold Homes on Market	19,748	19,600	24,489	19,748	24,489	-19.4%	23,267	9,350
Average Sales Price-Single Family	\$230,878	\$240,945	\$281,203	\$230,878	\$281,203	-17.9%	\$289,803	\$208,274
Average Sales Price-Condo	\$148,509	\$162,770	\$165,510	\$148,509	\$165,510	-10.3%	\$180,986	\$122,562
Median Sales Price-Single Family	\$181,500	\$196,000	\$216,950	\$181,500	\$216,950	-16.3%	\$236,240	
Median Sales Price-Condo	\$113,000	\$125,000	\$134,000	\$113,000	\$134,000	-15.7%	\$157,000	

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, foreclosures and short sales still account for about 45 percent of U.S. real estate transactions. Partly because of the pressure these distressed sales place on overall prices, the national median home price declined 14.8 percent over the year to measure \$170,300 in January. January median prices were down the most over-the-year in the West (-25.5 percent), followed by median prices in the Northeast (-14.7 percent), South (-7.4 percent), and Midwest (-6.8 percent).

The S&P/Case-Shiller 10-City and 20-City composite Home Price Indices ended 2008 with record annual declines of 19.2 percent and 18.5 percent, respectively. Each of the 20 metro area indices showed an annual decline in December 2008 with nearly half of those indices showing declines in excess of 20 percent. *While the Denver index also fell in December, it ended the year with the smallest annual loss (-4 percent) among the 20 cities.*

A different data source – median quarterly home prices from the NAR – show the Denver-Aurora MSA median price fell 10.6 percent in 2008. That decline was slightly larger than the 9.5 percent drop reported for the U.S. median, although prices in 37 other metropolitan areas fell by a larger amount. Of 153 metropolitan areas included in the NAR data, 128 reported depreciation in 2008 with the largest declines in Cape Coral, FL (-39.5 percent); Riverside, CA (-38.3 percent); and Sacramento, CA (-36.8 percent). Twenty-five MSAs reported flat or appreciating home prices in 2008, with the largest increase reported in Elmira, NY (+7.5 percent). Median home prices in the Boulder-Longmont MSA declined 4.6% in 2008.

While ongoing price declines continue to challenge Metro Denver homeowners, 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 the fourth quarter of 2008, compared to 132 percent of the national median in 2003. The Boulder-Longmont MSA median home price of \$359,000 ranked as 14th highest in 2008.

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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

The *4th Quarter 2008 Foreclosure Report* by the Colorado Division of Housing shows Colorado foreclosure filings declined by two percent in 2008. Colorado foreclosures had been consistently rising, so the new findings are at least a preliminary indication that the state's housing market is faring better than other U.S. markets. Colorado's foreclosure activity remains largely concentrated along the Front Range, although several Metro Denver counties known for the most severe foreclosure activity – including Adams, Denver, and Arapahoe Counties – reported the most improvement in 2008. Looking ahead, Division of Housing officials expect labor market weakness to pose one of the greatest foreclosure risks in 2009. They also note that 2008 changes in foreclosure law and recent moratoriums by several banks may have delayed some filings, and those filings could surface later this year.

While many policymakers are cautiously optimistic about Colorado's foreclosure trend, they are still adding several local measures to federal foreclosure prevention programs. Colorado legislators are currently discussing a "timeout" law that would give some distressed homeowners a 90-day period for making partial payments and finding a loan workout. During that period, public trustees would prohibit foreclosure action by lenders, and borrowers' payments would be reduced by 33 percent. Some finance experts say the legislation is unnecessary and suggest lenders are already taking these sorts of actions to keep borrowers in their homes.

Colorado officials also announced a \$7.7 million final settlement with Countrywide Financial that will help almost 7,000 homeowners. Those borrowers could be eligible for renegotiated loans, and former borrowers who lost their homes could also receive compensation.

Recent data on foreclosures at the national level showed mixed trends. According to RealtyTrac, U.S. foreclosure filings declined 10 percent between December and January as new legislation and moratoriums from major lenders either prevented or delayed some filings. Overall foreclosure activity was still up 18 percent from the prior year in January as one in every 466 U.S. households received a filing in some stage of the process.

In Metro Denver, January foreclosure filings declined 25.7 percent from the prior year. The count of filings fell between December and January in each Metro Denver county except Adams County and the City and County of Denver.

MONTHLY ECONOMIC SUMMARY

Real Estate Foreclosures

	Month of Jan-09	Month of Dec-08	Month of Jan-08	YTD Total 2009	YTD Total 2008	YTD Total % Change
Total Metro Denver*	1,853	1,971	2,493	1,853	2,493	-25.7%
Adams County	424	404	509	424	509	-16.7%
Arapahoe County	403	433	576	403	576	-30.0%
Boulder County	77	94	91	77	91	-15.4%
Broomfield County	22	25	34	22	34	-35.3%
Denver County	512	428	710	512	710	-27.9%
Douglas County	190	258	229	190	229	-17.0%
Jefferson County	225	329	344	225	344	-34.6%

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

New Homes

Data from the U.S. Department of Commerce show U.S. new home sales declined by 10.2 percent between December and January, and the January sales pace was down more than 48 percent from the prior year. On an over-the-year basis, January new home sales were down almost 60 percent in the West and 51 percent in the Northeast. Sales declined over-the-year by 46 percent in the South and 34 percent in the Midwest.

New homebuilding activity also remained on a downward path in January. A separate Department of Commerce report shows starts on all types of privately owned housing fell 16.8 percent between December and January, and January housings starts were down more than 56 percent on an over-the-year basis. Across the U.S., the over-the-year decline in January housing starts ranged from 45 percent in the West to 74 percent in the Northeast.

Weak builder confidence reflects the unabated decline in new home sales and construction. The National Association of Homebuilders (NAHB)/Wells Fargo Housing Market Index (HMI) was essentially unchanged at a single-digit level in both January and February. The February index rose one point from eight to nine as builders remained extremely pessimistic, although survey respondents expressed hope for housing stimulus measures. Regional indexes suggest builder confidence is lowest in the West.

Metro Denver jurisdictions issued roughly 9,400 building permits in 2008, down 36 percent from approximately 14,700 permits issued in 2007. Permit activity for single-family attached – or condominium – construction declined by the largest amount (-71.3 percent) in 2008, and permit activity for detached homes fell by 48 percent. Apartment construction increased considerably in 2008, although analysts widely expect that activity to slow this year.

Residential Building Permits

	Month of Dec-08	Month of Nov-08	Month of Dec-07	YTD Total 2008	YTD Total 2007	YTD Total % Change	Total 2003	Total 1998
Single-Family Detached Units	153	187	296	3,686	7,082	-48.0%	12,656	16,058
Single-Family Attached Units	62	19	122	1,330	4,632	-71.3%	3,755	3,527
Multi-Family Units	233	302	973	4,413	3,015	46.4%	1,858	7,794
Total Units	448	508	1,391	9,429	14,729	-36.0%	18,269	27,379

Source: Home Builders Association of Metro Denver.

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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 35-year-old hotel at East Hampden Avenue and I-25 will be converted to a mixed-use development for seniors, according to the hotel owners. The Four Points by Sheraton Denver Southeast Hotel will remain open through this year, and redevelopment work will begin when a lease for the property ends on December 31. The hotel's owners say the new property – to be named Highpointe at Hampden – will offer a variety of residential units, restaurants, and retail space.

A recent report by Frederick Ross Company describes a diverse tenant mix and strong pre-recession fundamentals as factors keeping Metro Denver's office market in a better position than many markets nationwide. Strong pre-leasing in several projects helped blunt the impact of move-outs in 2008, but office market vacancy rates still increased slightly as the year ended. Generally, the report describes Metro Denver's office market as relatively inactive as developers, lenders, and tenants delay major decisions until economic conditions improve and the impacts of new legislation are more clear.

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.

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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 Frederick Ross report notes that Metro Denver's industrial market still has relatively low vacancy rates despite increasing signs of weakness. The report also notes that the local industrial market has maintained a good balance between supply and demand, so overbuilding will not be the burden it is in other areas. Despite these strengths, industrial construction activity will likely remain weak in the coming year as lenders, developers, and tenants remain highly cautious.

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

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

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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 report by Frederick Ross Company observes retail markets at the heart of the current economic crisis and says weaker trends are affecting national retailers, small businesses, and restaurants alike. Even with dramatically weaker trends, however, retail vacancy rates in all 11 Metro Denver submarkets are currently below 10 percent.

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

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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 sales down 12.4% from Oct to Nov; YTD sales up 3.4% through Nov 2008.
Consumer Confidence Index	↓	↓	Mountain Region down to 27.4 in Feb from 44 in Jan; index down 68.3% through Feb 2009.
Hotel Occupancy	↑	↓	Hotel occupancy increased from 42.8% in Dec to 49.7% in Jan; occupancy down 11.3% YTD
DIA Passengers	↑	↑	Traffic increased 10.7% Nov to Dec; YTD traffic up 2.8% through Dec 2008.
Bloomberg Colorado Index	↓	↓	Bloomberg Colorado Index down 10.5% from Jan to Feb; year-to-date return at -14.6%.
Dow Jones Industrial Average	↓	↓	DOW decreased 11.7% Jan to Feb; year-to-date return at -19.5%.
Home Sales (closed)	↓	↓	Home sales decreased 23.7% Dec to Jan; YTD sales down 17.3% through Jan.
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 6% Dec to Jan; YTD down 25.7% through Jan 2009.
Residential Building Permits (Total)	↓	↓	Total permits decreased between Nov and Dec; YTD down 36% through Dec 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>	4 of 18	4 of 18	



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