



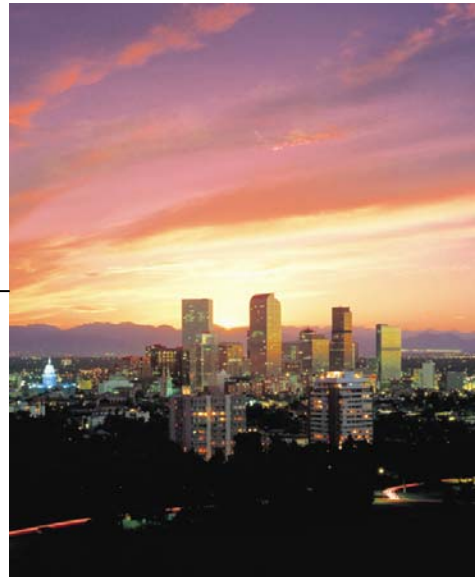
Metro Denver
Economic Development Corporation

Monthly Economic Summary

A Monthly Summary of Economic Conditions in Metro Denver

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

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MONTHLY ECONOMIC SUMMARY

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

Notable Rankings

- ◆ Colorado ranks third in the nation for its concentration of high-technology jobs, according to the *Cyberstates 2009* report by TechAmerica. This high concentration is critical, analysts say, because average wages for high technology workers in Colorado are 97 percent higher than the overall private sector average. The report also notes that Colorado added technology jobs in 2007 for the first time since the tech-led recession of 2001.
- ◆ Denver ranks among five housing markets that are likely to recover quickly, according to a forecast developed by John Burns Associates and published in *Builder* magazine. The forecasting model – called Housing Cycle GPA – uses historical data on local housing supply, demand, and prices plus data on national influences. Analysts say improvements in Denver’s housing affordability and foreclosure trend will help the market recover more quickly.
- ◆ A report recently released by the American Wind Energy Association ranks Colorado eighth in the nation for wind power generation as of the first quarter of 2009. According to the report, Colorado has a total of 1,068 megawatts of generating capacity currently installed.
- ◆ Three Colorado breweries rank among the nation’s 50 largest, according to the Brewers Association. New Belgium Brewery ranked eighth, Rock Bottom Brewery ranked 43rd, and Odell Brewing ranked 45th. Five other Colorado breweries – including Rock Bottom and Odell – were named on a separate list of the 50 largest craft brewers. Overall, Colorado ranks fifth in the nation for number of breweries per capita.
- ◆ The U.S. Environmental Protection Agency recently recognized two Metro Denver companies – Vail Resorts and White Wave Foods – on its “National Top 50” list of the largest corporate consumers of renewable energy. Both companies purchase renewable energy certificates to offset 100 percent of their energy use with wind power.
- ◆ A recent ranking by American City Business Journals named Highlands Ranch and Centennial among the nation’s 250 “wealth centers,” or affluent communities. Criteria for the list included income levels, housing costs, and levels of investment in real estate and stock markets. Highlands Ranch ranked 169th overall, and Centennial ranked 207th.

Policy Watch

Officials in all levels of government are busy with the task of disbursing funds and securing competitive grants under the American Recovery and Reinvestment Act (stimulus). Negotiations with the struggling U.S. auto industry are also ongoing.

- ◆ Spokespeople for the Colorado Department of Transportation say the agency is ahead of a federal deadline for assigning its stimulus funds. To meet federal guidelines, the agency must earmark half – or \$141.4 million – of its total stimulus funding by June 29. Local transportation officials expected to allocate that entire amount by the end of April, and construction on many projects within this first round of funding could begin in May.

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- ◆ Denver Mayor Hickenlooper recently announced several initiatives designed to boost the local economy. The City and County of Denver will waive its building permit fees between June 1 and June 15, and officials hope the waiver will persuade homeowners to spend on repairs and remodeling. City officials will also accept contractors' proposals for energy audits and efficiency upgrades at Denver libraries and recreation centers. In another local development, Colorado Governor Bill Ritter recently signed legislation that establishes state income tax credits for companies that add at least 20 new jobs in urban areas or five new jobs in rural areas. A second piece of legislation will expand a job-training program for renewable energy careers.
- ◆ Small businesses should be more competitive in the bidding process for many stimulus-related project opportunities thanks to a policy change enacted by the Small Business Administration (SBA). Specifically, the SBA has increased the limit of its guaranty on small business surety bonds from \$2 million to \$5 million. Many small businesses need surety bonds – or guarantees against contract failures – to win projects.
- ◆ In late April, Chrysler LLC became the first large U.S. automaker to file for Chapter 11 bankruptcy protection. Spokespeople say the company's attempts to restructure its debt failed, but Chrysler will proceed in a merger with Italian automaker Fiat SpA. Fiat could become the majority owner of Chrysler, and the U.S. government will provide debtor-in-possession and exit financing through the bankruptcy process. Chrysler spokespeople say several of the company's manufacturing facilities will close, and local auto industry analysts say several Colorado dealerships may also close.
- ◆ General Motors Corp. (GM) plans to phase out the Pontiac brand and launch a stock-swap program that officials hope will help the company restructure. Under the stock-swap plan, GM is offering the federal government a 50 percent stake in the company in exchange for the cancellation of half its current government debt. In a similar offering for the United Auto Workers (UAW) union, GM will request a swap of stock for 50 percent of the money it owes to a UAW trust for retiree healthcare. If the government and UAW do not adopt the proposals, GM officials say they will prepare for bankruptcy.

General Economic Overview

Minutes from the April meeting of the Federal Open Market Committee of the Federal Reserve (FOMC) suggest little has changed in policymakers' downbeat assessment of economic conditions. The Committee did note, however, that some economic data indicate a slowing pace of contraction in the nation's economy. The FOMC voted to maintain its target federal funds rate in the range of 0 to 0.25 percent and reiterated its commitment to purchase Treasury securities and other assets as a means of adding liquidity to the market.

As the most recent FOMC meeting minutes noted, some economic data have shown early signs of improvement. The most recent Federal Reserve *Beige Book* report, for example, expresses some optimism that economic decline – while ongoing – may be moderating in Colorado, Wyoming, and other parts of the Tenth District. According to the report, the rapid decline in the region's consumer spending and manufacturing activity moderated in March, and residential real estate markets showed potential signs of stability. Commercial real estate markets, however, are one exception to the slightly improved economic outlook as market fundamentals and financing conditions continue to deteriorate.

Like the *Beige Book*, new GDP estimates from the U.S. Bureau of Economic Analysis (BEA) show a slight leveling of the economy's dramatic decline. While the first quarter estimate of GDP change was still considerably negative (-6.1 percent), it nonetheless represented a slightly slower pace of decline than the 6.3 percent drop reported for the fourth quarter. Analysts noted that an unexpected improvement in household spending helped moderate the first quarter drop in GDP, but exports, business spending, and real estate spending continued to fall. The BEA will revise these most recent results with preliminary estimates to be released on May 29.

As the GDP estimates suggest, international trade activity continues to contract. Data from the U.S. Department of Commerce show the nation's February trade deficit fell to \$26 billion, or the lowest level reported since

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November 1999. While exports increased slightly between January and February, February imports of goods and services fell to the lowest level reported since September 2004. The nation's overall trade deficit has now declined for seven consecutive months.

Economic Indexes

Some economic indicators are showing early signs of stability, but several more months of readings will determine if the recession is truly nearing bottom.

National Economy

- ◆ The Conference Board's Index of Leading Economic Indicators continued a nine-month trend of decline and fell between February and March. Analysts say the index decline over the past six months has accelerated from the previous six months.
- ◆ The Institute for Supply Management's Purchasing Managers Index rose from 36.3 in March to 40.1 in April, which suggests that a 15-month contraction in the nation's manufacturing industry may be slowing. Survey respondents said the outlook seemed to be improving for some customers, but financing remained a challenge for many.
- ◆ The Institute for Supply Management's Index of Non-Manufacturing Business Activity increased in March, which would suggest that an ongoing contraction in the nation's service sector might also be slowing. Declines in other indexes tracked by the Institute suggest, however, that the service sector outlook remains – at best – mixed. Respondents from many service industries including the usually strong healthcare sector described current business conditions as slow.

Local Economy

- ◆ The Mountain States Business Conditions Index declined from 39.2 in March to 37.8 in April, and analysts say the readings suggest the region will remain in recession until at least the end of 2009. They also suggest, however, that the quick pace of job losses should slow as the local economy appears to be near bottom.
- ◆ The Colorado *Business Leaders Confidence Index* rose from 30.6 in the first quarter of 2009 to 35.5 in the second quarter. While the index remains below the growth-neutral point of 50, the increase suggests Colorado business leaders have marginally better expectations for the second quarter. Survey respondents expressed slightly better sales expectations for the second quarter, but plans for capital expenditures and hiring remain subdued.

Labor Force and Employment

Metro Denver employers added roughly 2,300 jobs between February and March in an increase that represented less than 25 percent of the jobs employers typically add at this point in the year. Year-to-date job counts are down in each of the 11 Metro Denver industry supersectors except education and health services, other services, and government. The natural resources and construction industry has cut the most jobs on a year-to-date basis, followed by the professional and business services industry. Metro Denver's year-to-date job growth rate across all industries (-3 percent in March) is similar to the nationwide rate (-3.1 percent) but slightly more negative than the statewide rate (-2.5 percent).

While much of the considerable job loss in Metro Denver's professional and business services industry has been concentrated in the temporary employment and administrative service sectors, many architecture, engineering, and legal practices are also facing challenges. The Denver offices of law firms Hogan & Hartson, Cooley Godward Kronish, and Faegre & Benson recently laid off associates and staffers, as did Kamlet Shepherd & Reichert and Brownstein Hyatt Farber Schreck. Several of the firms have also imposed pay cuts and deferred start dates for new hires.

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Pay cuts and layoffs are also affecting the University of Colorado as the school's governing body works to offset a reduction in state funding. University spokespeople say 54 administrative positions will be eliminated, pay for top administrators will be reduced by five percent, and a university newspaper will be closed. Similar cuts may occur next year. At Colorado State University in Fort Collins, officials recently submitted a budget proposal that would eliminate 40 positions and increase tuition for resident undergraduates by nine percent.

A weak economy is clearly cutting across all industry sectors, but Colorado companies are still highly competitive. The following thirteen Colorado businesses were named to the 2009 Fortune 1000 list:

- Qwest Communications (197th)
- DISH Network (231st)
- Liberty Global (257th)
- Liberty Media (265th)
- First Data (295th)
- Ball (336th)
- Newmont Mining (400th)
- ProLogis (426th)
- CH2M Hill (436th)
- Western Union (451st)
- Molson Coors Brewing (487th)
- Level 3 Communications (526th)
- Cimarex Energy (908th)

Analysts say Colorado's better-than-average venture capital trends are also evidence of a competitive economy. According to the PricewaterhouseCoopers *MoneyTree Report*, 16 Colorado companies completed deals for \$77 million in venture capital funding in the first quarter of 2009. Total deal volume was down considerably from the first quarter of 2008, when the state reported \$298 million in transactions. Investment in that quarter was skewed by a major deal for Broomfield-based Range Fuels Inc., however, and the current trend in Colorado investment is stronger than investment trends nationwide. A total of \$3 billion in venture capital deals closed nationwide in the first quarter of 2009, which represented the weakest period for investment since 1997.

Many companies in Metro Denver's industry clusters are adjusting their capacity as the nationwide recession continues. Other companies, however, are proceeding with long-term expansion plans.

Aviation: Spokespeople for Dallas-based Southwest Airlines, the third-largest carrier at Denver International Airport, say the airline will reduce its capacity by as much as five percent in 2009 as the economy remains weak. Airline employees will also be offered an early buyout plan, although company officials have not specified how many jobs they hope to cut. Southwest officials say the airline will also cut capital expenditures, freeze hiring, and trim salaries, but they have so far rejected the concept of baggage fees.

Not all airlines, however, are working to reduce capacity. Spokespeople for Florida-based Pet Airways – a pets-only airline that transports animals in the aircraft cabin – say the carrier will begin serving Denver and four other cities this July. The airline will use turboprop planes to transport pets in carriers, but spokespeople did not provide details about fares or the Denver airport to receive the service.

Plans for expanding the at-capacity Denver International Airport (DIA) continue to evolve as officials work to balance near-term economic weakness with longer-term growth needs. Officials say a 500-room off-concourse hotel will now be built in its entirety – not in the two phases they had initially proposed. The hotel will also be built in a slightly different location to be shared with a FasTracks commuter rail platform scheduled to open in 2015. Builders will break ground on the hotel project next year. Airport officials are also drafting plans for a seventh runway. The Federal Aviation Administration will begin an airspace study for DIA later this year, and officials are also working on modifications to the airport's master plan that would expand concourse space.

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

	Month of Mar-09 (p)	Month of Feb-09	Month of Mar-08	Year-to- Date Average 2009	Year-to- Date Average 2008	Year-to- Date Average % Change	Annual Growth Rate 2004	Annual Growth Rate 1999
Total 11-County Metro Denver*	1,362.5	1,360.2	1,413.6	1,363.1	1,405.3	-3.0%	0.8%	4.0%
Denver-Aurora MSA	1,198.1	1,195.7	1,244.5	1,199.2	1,237.7	-3.1%	0.8%	3.9%
Boulder-Longmont MSA	164.4	164.5	169.1	164.0	167.6	-2.2%	0.9%	4.4%
Natural Resources & Construction	83.6	83.5	96.7	84.3	95.6	-11.9%	-0.7%	10.4%
Manufacturing	83.9	84.4	88.5	84.3	88.7	-5.0%	-0.4%	-1.5%
Wholesale & Retail Trade	204.4	204.4	214.7	206.0	214.8	-4.1%	-0.1%	3.2%
Transp., Warehousing & Utilities	50.7	50.6	52.7	50.8	52.8	-3.8%	0.5%	6.1%
Information	54.9	55.5	57.9	55.4	57.9	-4.3%	-5.4%	11.7%
Financial Activities	99.4	99.9	105.9	100.2	105.5	-5.0%	-0.1%	3.8%
Professional & Business Services	226.7	226.5	243.0	227.9	241.7	-5.7%	3.5%	5.9%
Education & Health Services	156.3	156.5	151.5	155.8	150.7	3.4%	3.2%	1.3%
Leisure & Hospitality	139.8	137.8	144.0	138.1	142.3	-2.9%	2.6%	4.6%
Other Services	53.7	53.6	53.5	53.8	53.2	1.0%	1.7%	1.9%
Government	209.1	207.5	205.2	206.4	202.1	2.1%	-0.2%	1.4%
Federal Gov't	30.1	30.1	30.2	30.2	30.2	0.0%	-1.6%	-1.5%
State & Local Gov't	179.0	177.4	175.0	176.3	171.9	2.5%	0.1%	2.1%
Colorado	2,271.7	2,269.8	2,343.6	2,271.9	2,329.7	-2.5%	1.2%	3.6%
United States	132,072	132,130	136,944	132,168	136,380	-3.1%	1.1%	2.4%

*Includes the Denver-Aurora MSA (Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park Counties) and the Boulder-Longmont MSA (Boulder County).

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

Bioscience: Medical device manufacturer CaridianBCT recently reduced its global workforce by more than 200 positions, 196 of which were based at the company's Lakewood headquarters. Spokespeople say the company – which manufactures blood collection and storage products – is still growing, but a weak economy and a decline in elective surgeries and blood donations have made cost-cutting measures necessary.

Energy: Loveland-based Abound Solar – formerly AVA Solar – recently opened a new manufacturing facility in Longmont. Spokespeople say the new thin-film production facility will begin commercial operations by the second half of this year and will be capable of producing three million panels annually. The company's new technology reportedly makes production costs for the panels less than \$1 per watt.

A second renewable energy manufacturer has also reported new production. Spokespeople for Vestas Americas say the company's wind turbine blade manufacturing plant in Windsor will handle an order for 23 wind turbines from utility company TransAlta Canada. The turbines will be installed at an Alberta wind farm capable of generating enough power for 28,000 homes. Vestas officials say Colorado will ultimately be the home of all of the company's North American manufacturing operations, particularly as three additional plants in Pueblo and Brighton are completed.

Other wind energy developments are also occurring in the public sector. Golden's National Renewable Energy Laboratory (NREL) will receive \$193 million in economic stimulus dollars, contrary to earlier reports that the lab stood to gain little federal investment. Of the total award, \$93 million will go towards research and development

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of improved wind turbine components, testing of new technologies, and sponsorship of public-private collaborations on wind energy research. The remaining \$100 million will go towards construction and improvements around the NREL site.

IT/Hardware: Shortly after merger talks between IBM and Sun Microsystems failed, California-based business software publisher Oracle announced plans to purchase Sun. According to economic development officials, Sun Microsystems has roughly 2,000 workers at its Broomfield campus, and Oracle employs approximately 900 in the Denver Tech Center. Although analysts say the companies are not direct competitors, they do have redundancies that could result in job losses. The deal – valued at \$5.6 billion excluding Sun’s cash and debt – should close this summer.

Telecommunications: Spokespeople for Denver-based Qwest Communications recently announced plans to close two of the company’s customer service call centers. The closures will affect more than 300 jobs, 129 of which are based at a call center in Littleton. Spokespeople say the closures are necessary as new technologies for instant Internet communication have reduced call volume at customer service centers. Some of the displaced workers may be given priority consideration for other job opportunities with Qwest.

A second Metro Denver telecommunications company also announced job cuts. Broomfield-based Level 3 Communications will trim 150 positions and restructure an additional 100 jobs in an effort to streamline costs. Spokespeople provided no further details on how the cuts might affect the company’s Broomfield headquarters.

Employment Outlook

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

Employment Outlook Survey

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

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

Source: Manpower Inc.

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Metro Denver's unemployment rate rose from 7.7 percent in February to eight percent in March. *The region's unemployment rate averaged 7.6 percent through the first three months of 2009 in a three percentage-point increase over the same months in 2008.* Year-to-date unemployment rates across the region's seven counties ranged from 6.1 percent in Boulder County to nine percent in Adams County. Statewide unemployment has averaged 7.5 percent through the first three months of the year, and nationwide unemployment has averaged 8.8 percent.

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

	Mar 2009 (p)		2009 YTD Avg		2008 YTD Avg		2004	1999
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Ann Avg Unemployment Rate	Ann Avg Unemployment Rate
Metro Denver	1,525.2	8.0%	1,529.6	7.6%	1,531.3	4.6%	5.7%	2.4%
Adams County	224.9	9.4%	225.4	9.0%	224.1	5.2%	6.5%	2.7%
Arapahoe County	309.0	8.0%	309.8	7.5%	310.5	4.6%	5.6%	2.1%
Boulder County	177.2	6.3%	177.4	6.1%	177.9	4.0%	4.9%	2.6%
Broomfield County*	30.2	7.2%	30.3	6.9%	30.5	4.3%	5.8%	
Denver County	321.4	9.0%	322.4	8.6%	321.3	5.2%	6.6%	3.1%
Douglas County	155.9	6.7%	156.5	6.4%	157.9	4.0%	4.6%	1.4%
Jefferson County	306.6	7.6%	307.8	7.3%	309.0	4.5%	5.4%	2.2%
Colorado	2,706.5	7.9%	2,713.7	7.5%	2,705.7	4.7%	5.6%	2.9%
United States	153,728	9.0%	153,659	8.8%	152,822	5.3%	5.5%	4.2%

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

The pace of filings for unemployment insurance in Metro Denver slowed slightly in March, but the average weekly count of claims remained significantly elevated from the prior year's level. *The number of Metro Denver claims filed each week has averaged 2,850 through the first three months of the year, compared to a weekly average of approximately 1,450 claims in the same months of 2008.* That amounts to a 96.9 percent year-to-date increase in claims. Similarly, the average weekly statewide count of claims has more than doubled through the first three months of this year.

Weekly First-Time Unemployment Insurance Claims

	Month of Mar-09	Month of Feb-09	Month of Mar-08	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change
Metro Denver	2,711	2,977	1,216	2,850	1,447	96.9%
Colorado	5,150	5,279	2,064	5,213	2,511	107.6%

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

Travel experts say a weak economy will make for more local trips this summer, so Denver tourism officials are partnering with the community's hospitality sector to attract visitors from neighboring states. A \$2 million advertising campaign targeted at residents of Albuquerque, Wichita, and other nearby cities will promote "\$52.80" deals at a wide variety of Denver hotels, restaurants, and shops. The deals extend through Labor Day and include \$52.80 ticket packages for sporting and theatrical events, \$52.80 spa services, and second-night hotel stays priced at \$52.80. Tourists can visit www.denver5280deals.com for a complete list of special offers.

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With the loss of the Ski Train, Denver will have one less attraction for tourists this summer and winter. The train had provided service between Denver's Union Station and Winter Park since 1940, but the train's owners recently sold the operation to Ontario-based Agloma Central Railway Inc. The Ski Train owners say a weak economy and uncertainty about the train's place in the Union Station redevelopment were factors in their decision to sell.

Like some of Metro Denver's leisure and hospitality companies, the region's retail businesses are also struggling with a weak economy. Spokespeople for California home furnishings retailer Z Gallerie say the company has filed for Chapter 11 bankruptcy protection. The company had previously closed 21 stores, including stores in Boulder and Denver's Larimer Square. Z Gallerie has one remaining Colorado store in the Cherry Creek Shopping Center, and spokespeople have not announced any additional store closures.

A second Cherry Creek retailer, Andrisen Morton, recently announced plans to close its women's store. The store has been selling women's luxury apparel since 2003, but the store's owners say steep sales declines in late 2008 made continued operations impossible. The Andrisen Morton men's store remains profitable, however, and the owners will keep the store open.

Other changes in Metro Denver's retail marketplace include the planned closure of two more Starbucks stores. The Seattle-based company is closing stores at 7777 E. Hampden Avenue in Denver and 5350 S. Santa Fe Drive in Littleton. Starbucks is generally continuing with plans to cut jobs and stores nationwide, although the company has plans to expand in international markets. While store closures are increasingly common, some retailers are attempting a different approach to cost savings. Spokespeople for electronics retailer Best Buy, for example, say many store managers and supervisors will be demoted in a plan to save costs and insure good customer contact. Best Buy has 21 stores in Metro Denver.

As the U.S. consumer environment remains difficult, inflation pressures are largely absent. Data from the U.S. Bureau of Labor Statistics shows the U.S. Consumer Price Index (CPI) declined in March after two consecutive months of increase. Analysts noted that an over-the-year decline in March CPI was the first such drop since August 1955, although core inflation – price changes for all items except food and energy – remains essentially stable. A downturn in the energy index was responsible for the overall decline in March CPI.

Other economic data indicate, however, that oil prices were rising in some areas in April. According to the AAA *Daily Fuel Gauge Report*, the nationwide average price per gallon of regular gasoline was essentially stable at \$2.05 in both March and April, but the price per gallon in Metro Denver rose to \$2.01 from \$1.95 in the prior month. Colorado average prices showed a similar trend and rose from \$1.99 per gallon in March to \$2.06 per gallon in April.

Slightly higher gasoline prices may have contributed some stability to retail sales figures over the past several months, but that was not the case in March. Data from the Department of Commerce show March retail sales declined from February in the first over-the-month drop this year, and the March sales total was 9.4 percent below sales from March 2008. Local retail sales data are lagged back to January, but they also show a trend of weak retail sales early in 2009. Retail sales typically decline between December and January following the holiday shopping season, but *Metro Denver total retail sales in January fell a larger-than-normal 9.3 percent below sales from January 2008*. January retail sales declined over-the-year in each Metro Denver county except Boulder, where sales increased four percent from the prior year. Among the remaining counties, retail sales declines ranged from 3.9 percent in Douglas County to 18.4 percent in the City and County of Broomfield. Statewide retail sales fell 8.9 percent over-the-year in January.

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Total Retail Sales (\$000s)

	Month of Jan-09	Month of Dec-08	Month of Jan-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual Growth 2004	Annual Growth 1999
Total Metro Denver	5,852,118	10,598,841	6,453,426	5,852,118	6,453,426	-9.3%	7.4%	7.0%
Adams County	946,383	1,425,491	1,074,334	946,383	1,074,334	-11.9%	11.7%	10.5%
Arapahoe County	1,149,291	2,013,850	1,363,205	1,149,291	1,363,205	-15.7%	2.6%	10.2%
Boulder County	599,330	1,494,692	576,494	599,330	576,494	4.0%	2.1%	4.1%
Broomfield County	88,107	226,026	107,943	88,107	107,943	-18.4%	49.4%	
Denver County	1,734,195	3,037,050	1,892,782	1,734,195	1,892,782	-8.4%	8.1%	2.2%
Douglas County	443,905	810,048	461,847	443,905	461,847	-3.9%	16.9%	18.3%
Jefferson County	890,907	1,591,684	976,821	890,907	976,821	-8.8%	3.8%	7.3%
Colorado	10,026,217	19,094,898	11,009,368	10,026,217	11,009,368	-8.9%	7.8%	7.4%

Source: Colorado Department of Revenue.

The U.S. Consumer Confidence Index rose considerably between March and April as consumers' expectations for the next six months improved. The Consumer Confidence Index is now at its highest level reported so far this year, although analysts caution the overall index value is still far below readings consistent with economic growth. The Mountain Region index also rose significantly in April as a large improvement in consumers' six-month outlooks offset their increasingly pessimistic view of current conditions. Taken together, these factors suggest many consumers expect the ailing economy to reach bottom soon.

Consumer Confidence Index

	Month of Apr-09 (p)	Month of Mar-09	Month of Apr-08	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change	Ann Avg 2004
Mountain	41.8	32.8	67.5	35.9	97.5	-63.2%	108.8
United States	39.2	26.9	62.8	32.2	73.1	-56.0%	96.1

Source: The Conference Board. (p) =preliminary

An increase in Metro Denver hotel occupancy rates between February and March was consistent with seasonal trends, but the March rate was somewhat lower than the rate reported in the prior year. On a year-to-date basis, Metro Denver' average occupancy rate of 52.3 percent was down 11.7 percent from the average for the same period last year. Average room rates declined slightly between February and March and were down 4.5 percent on a year-to-date basis.

Metro Denver Hotel Statistics

	Month of Mar-09	Month of Feb-09	Month of Mar-08	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change	Annual 2004	Annual 1999
Percent of Hotel Rooms Occupied	55.5%	51.6%	62.5%	52.3%	59.2%	-11.7%	61.9%	67.2%
Average Hotel Room Rate	\$105.36	\$105.99	\$111.05	\$105.42	\$110.42	-4.5%	\$84.42	\$87.36

Source: Rocky Mountain Lodging Report.

The soft economy is still limiting travel activity at Denver International Airport, where passenger traffic declined for the third consecutive month in February. *The airport's February traffic count declined 8.2 percent over-the-year as the pullback in travel intensified.* Still, national data suggest DIA is faring better than many other airports. Total nationwide passenger counts from the U.S. Bureau of Transportation Statistics are only available through January, but they show traffic at all U.S. airports down almost 11 percent over-the-year.

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Denver International Airport Passengers

	Month of Feb-09	Month of Jan-09	Month of Feb-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual 2004	Annual 1999
Number of Airline Passengers	3,521,618	3,669,679	3,834,362	7,191,297	7,595,190	-5.3%	42,275,913	38,034,017

Source: Denver International Airport, Traffic Statistics.

April was the best month for stock market performance since March 2000, and each of the national indexes increased. On a year-to-date basis, however, market returns vary considerably. The NASDAQ posted a year-to-date return of 8.9 percent in March, but the Dow Jones Industrial Average and S&P 500 had considerably lower year-to-date returns of -6.9 percent and -3.4 percent, respectively. The Bloomberg Colorado Index also rose between March and April and posted a 6.6 percent year-to-date return.

Stock Market Indexes

	Month of Apr-09	Month of Mar-09	Month of Apr-08	YTD Return 2009	YTD Return 2008	Ann Avg Return 2004
Bloomberg Colorado	235.0	200.2	433.2	6.6%	-3.8%	17.7%
S&P 500	872.8	797.9	1,385.6	-3.4%	-5.6%	9.0%
NASDAQ	1,717.3	1,528.6	2,412.8	8.9%	-9.0%	8.6%
DJIA (Dow Jones)	8,168.1	7,608.9	12,820.1	-6.9%	-3.4%	3.1%

Sources: Bloomberg.com, Yahoo! Finance.

Residential Real Estate

The Colorado Housing and Finance Authority (CHFA) recently introduced a program to help homebuyers take advantage of a tax credit introduced under the American Recovery and Reinvestment Act. The credit applies for first-time buyers who purchase property before December 1 and refunds 10 percent of a home's purchase price as a tax credit of as much as \$8,000. Housing officials say, however, that many buyers lack the cash they need to take advantage of the credit. To help bridge this gap, a CHFA program – called JumpStart – will lend eligible borrowers 3.5 percent of a home's purchase price for a maximum of \$6,000 towards down payment and closing costs. Borrowers will receive the loan as a second mortgage with no interest or payments due until June 2010. They are expected, however, to use the homebuyer tax credit to repay the second mortgage before the June deadline. Once the deadline is passed, the second mortgage is payable in 10 years at eight percent interest.

Home Resales

Data from the National Association of Realtors show U.S. existing home sales fell three percent between February and March. Analysts note, however, that monthly fluctuations in home sales are narrowing, and increased sales of lower-priced homes could suggest more first-time buyers are entering the market. The West is currently the only U.S. region where home sales have risen above 2008 levels. Home sales remain below 2008 levels in the South (-10.9 percent), the Midwest (-11.1 percent), and the Northeast (-22.5 percent).

Contrary to the national trend, home sales in Metro Denver rose 29.1 percent between February and March. The number of homes under contract also rose over-the-month, and the region's total unsold inventory was down almost 20 percent from the 2008 level. Metro Denver average home prices are still falling on an over-the-year basis, but the pace of decline for both single-family homes and condominiums has slowed. On a year-to-date basis, the Metro Denver average single-family home price was down 13.3 percent in March, and the average condominium price was down 13.9 percent.

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Previously-Owned Home Sales Activity

	Month of Mar-09	Month of Feb-09	Month of Mar-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Ann Avg 2004	Ann Avg 1999
Home Sales (Under Contract)	4,826	4,183	5,874	12,840	15,550	-17.4%	66,196	38,248
Home Sales (Closed)	3,206	2,484	3,709	8,159	9,697	-15.9%	54,012	46,742
Unsold Homes on Market	20,628	20,059	25,516	20,628	25,516	-19.2%	23,267	9,350
Average Sales Price-Single Family	\$251,583	\$236,920	\$274,693	\$240,931	\$277,975	-13.3%	\$289,803	\$208,274
Average Sales Price-Condo	\$151,716	\$138,239	\$173,493	\$146,709	\$170,482	-13.9%	\$180,986	\$122,562
Median Sales Price-Single Family	\$203,950	\$192,000	\$224,900	\$194,000	\$220,000	-11.8%	\$236,240	
Median Sales Price-Condo	\$128,500	\$117,725	\$132,000	\$119,947	\$170,482	-29.6%	\$157,000	

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

Home Prices

Data from the NAR show the nation's March median home price of \$175,200 was down 12.4 percent over-the-year despite a 4.2 percent increase in sale prices between February and March. The discrepancy, analysts say, reflects the continued dominance of distressed-property transactions in housing markets nationwide. On an over-the-year basis, March median home prices were down the most in the Northeast (-18.4 percent), followed by prices in the South (-12.2 percent), West (-11.1 percent), and Midwest (-6.1 percent).

Consistent with some of the better news on housing, February was the first time in the past 16 months that the 10-City and 20-City composite S&P/Case-Shiller Home Price Indices did not show a record annual decline. *While record annual rates of decline in 10 of the 20 metro area indices suggest home prices are still falling, the rate of price decline may be slowing.* The over-the-year decline in the February index for Denver (-5.7 percent) ranked second-smallest among declines for the 20 metropolitan area indices, and the Denver index was also among a group of eight that declined less than two percent between January and February.

A different data source – median quarterly home prices from the NAR – show the Denver-Aurora MSA median price fell 10.6 percent in 2008 while the national median declined 9.5 percent. These continued price declines are challenging Metro Denver homeowners, but the region's housing affordability has clearly improved. The Denver-Aurora median price ranked 44th highest of 155 metropolitan areas in 2008, and the region's median price moved closer to the national median. Specifically, the Denver-Aurora median home price was roughly 111 percent of the national median in 2008, compared to 132 percent of the national median in 2003. The Boulder-Longmont MSA median home price of \$359,000 ranked 14th highest in 2008. The NAR will release median home price data for the first quarter of 2009 on May 12.

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

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

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

Foreclosures

Data from RealtyTrac suggest the number of U.S. properties with foreclosure filings increased 17 percent between February and March as many lenders lifted foreclosure moratoria. According to RealtyTrac, the March count of properties with filings was the highest on record.

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Foreclosure filings in Metro Denver also increased between February and March, but the total count of filings through the first three months of the year remained more than 20 percent below filings from the same months in 2008. On a year-to-date basis, filings have declined the most in Arapahoe County (-27.9 percent), Adams County (-23.2 percent), and the City and County of Denver (-22.8 percent).

Real Estate Foreclosures

	Month of Mar-09	Month of Feb-09	Month of Mar-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual Total 2004
Total Metro Denver*	2,384	1,810	2,677	6,047	7,585	-20.3%	12,252
Adams County	515	388	606	1,327	1,727	-23.2%	2,498
Arapahoe County	492	439	695	1,334	1,851	-27.9%	3,125
Boulder County	121	93	107	291	278	4.7%	524
Broomfield County	22	26	20	70	79	-11.4%	134
Denver County	612	400	650	1,524	1,975	-22.8%	3,345
Douglas County	194	191	234	575	665	-13.5%	800
Jefferson County	428	273	365	926	1,010	-8.3%	1,826

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

New Homes

Data from the U.S. Department of Commerce show nationwide new home sales declined slightly in March after increasing in February. Total new home sales in March fell 30.6 percent below the March 2008 sales estimate, with lower sales in the Northeast and Midwest primarily responsible for the shift. March new home sales in the South were unchanged from February, and March sales increased in the West.

A separate Department of Commerce report shows new housing starts declined in March after a surprise gain in February. Starts on all types of privately owned housing fell 10.8 percent between February and March, and the March total was 48.4 percent below the total from March 2008. While the pace of new home construction remains weak across all U.S. regions, the over-the-year decline in starts is currently lowest in the Midwest (-24.4 percent). Housing starts have fallen over-the-year by considerably larger margins in the Northeast (-41.7 percent), the South (-48 percent), and the West (-67.3 percent).

While new housing indicators are still extremely weak, some evidence of additional buyers in the market may be encouraging homebuilders. The National Association of Homebuilders/Wells Fargo Housing Market Index (HMI) rose five points to 14 in April, which was the first time in six months that the index has registered a double-digit reading. The sub-indexes for current sales conditions, prospective buyer traffic, and six-month sales expectations each increased, and HMIs increased in each of the four U.S. regions.

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

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Residential Building Permits

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

Source: Home Builders Association of Metro Denver.

Apartment Rental Market

Metro Denver's average apartment vacancy rate in the first quarter of 2009 rose to the highest level (8.4 percent) since the first quarter of 2005. Real estate experts say weak labor markets and renters' decisions to share space are driving higher vacancy rates. First quarter rates increased over-the-year in each of the seven Metro Denver counties. More specifically, first quarter rates ranged from six percent in the Boulder/Broomfield area to 9.7 percent in Arapahoe County. Despite higher vacancy rates, the Metro Denver average rental rate rose to \$882 per month in the first quarter from \$861 in the first quarter of 2008.

Apartment Statistics

	Quarter 1 2009	Quarter 4 2008	Quarter 1 2008	YTD Average 2009	YTD Average 2008	YTD Average % Change	Annual Average 2004	Annual Average 1999
Apartment Vacancy Rate	8.4%	7.9%	5.9%	8.4%	5.9%		9.7%	4.5%
Average Monthly Rental Rate (all units)	\$882	\$889	\$861	\$882	\$861	2.4%	\$817	\$717

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

While individual stores are among the more noticeable casualties of the recession, retail property owners are also facing challenging conditions. Mall Owner General Growth Properties Inc. recently filed the nation's largest-ever real estate bankruptcy. In Colorado, the company owns Park Meadows Mall in Lone Tree and Southwest Plaza in Littleton plus two additional malls in Fort Collins and Colorado Springs. Spokespeople say the bankruptcy proceedings will have no effect on shoppers at more than 200 malls nationwide and will allow the company the time needed to cut costs and refinance debt.

Greenwood Village-based Commercial Capital Inc. has also filed for Chapter 11 bankruptcy protection. The company provides short-term commercial mortgage loans, and a company statement suggests that multiple projects in the Rocky Mountain region could be left unfinished as a result of the bankruptcy proceedings. The company is also planning for a 75 percent reduction in its workforce.

While commercial markets remain under heavy strain, some developers are still continuing with projects. Developers say they are ready to proceed with work planned for the areas surrounding the Anschutz Medical Campus at Fitzsimons. Projects have been planned for some time, but difficult financing conditions and other delays have pushed back timelines. Developers have plans for two hotels and a conference center plus office, retail, and residential space, and some say they are now ready to begin work within the next two months.

A first quarter report by Frederick Ross Company suggests 2009 may be the first year since 2002 that Metro Denver's office market shows full-year negative absorption. Office market investment essentially halted in the

MONTHLY ECONOMIC SUMMARY

first quarter, and the company expects higher vacancies, lower rents, and negative absorption to persist through the end of the year. *Analysts note, however, that Metro Denver's office market was not overbuilt prior to the recession, and the region's economic fundamentals – while weak – are stronger-than-average.* As a result, the company expects the local office market to rebound solidly as business confidence returns and financing conditions improve.

Marcus & Millichap's 2009 National Office Property Index reflects a similar perspective on Metro Denver's office market and ranks Metro Denver 16 among 43 metropolitan markets. The index is designed to measure the balance between each market's supply and demand over the next 12 months, and Denver fell 6 spots from its 2008 ranking due to a projected decline in the region's rents. Even so, analysts note that Metro Denver is still an attractive location for out-of-state companies and has the distinct benefits of a diversified job market and strong renewable energy sector.

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

Office Market Statistics

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

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

A first quarter report by Frederick Ross Company suggests Metro Denver's industrial sector has so far outperformed the region's other markets because it is somewhat removed from retail market closures and office-sector job losses. The industrial market is still exposed to overall economic conditions, though, and vacancy rates have increased. Like the Metro Denver office market, however, the region's industrial market was not overbuilt prior to the recession and is not expected to reach the lows of the 2001 downturn.

Similarly, data from CoStar Realty Information, Inc. show the increase in Metro Denver industrial market vacancy has been smaller than the increase in the region's office market. The direct industrial market vacancy rate rose from seven percent in the fourth quarter of 2008 to 7.2 percent in the first quarter of 2009. Average lease rates increased slightly to \$5.14 per square foot, although the first quarter rate was essentially unchanged from the average reported one year ago. While the impact of a weak economy on industrial market vacancy and lease rates has been somewhat moderate, the impacts on industrial development activity have been much larger. Just one industrial building was under construction in the first quarter, down from 15 buildings in the first quarter of 2008.

MONTHLY ECONOMIC SUMMARY

The Denver Business Center and a property in Arapahoe County are the only two industrial buildings completed so far this year.

Industrial Market Statistics

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

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

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

Flex Space Statistics

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

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

A recent report by Frederick Ross Company says the first quarter of 2009 was the worst period for retail market absorption since mid-2000. Retail market investment essentially halted in the first quarter, and the market's development pipeline has begun to empty. *While difficult financing conditions and continued weakness in consumer spending do not bode well for the retail market, the report notes that current vacancy rates in all but one Metro Denver submarket are below 10 percent.*

According to CoStar Realty Information, Inc., the Metro Denver direct retail market vacancy rate rose from 8.2 percent in the fourth quarter of 2008 to 8.6 percent in the first quarter, and average lease rates fell to \$17.10 per square foot. Square footage under construction in the retail market fell sharply from more than four million square feet in the first quarter of 2008 to roughly 331,700 square feet in the first quarter of 2009. The largest retail

MONTHLY ECONOMIC SUMMARY

projects completed so far this year include stores in the River Point at Sheridan development and in several retail developments in Aurora.

Retail Market Statistics

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

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

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Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↑	↓	Employment increased by 2,300 jobs Feb to Mar; YTD employment down 3% through Mar 2009.
% Companies Hiring (Denver Area)	↓	↓	10% of companies expect to add workers in Q2 2009 and 73% expect no change.
Unemployment Rate	↑	↑	Metro rate 8% in Mar; YTD avg. rate of 7.6% up from 4.6% in 2008.
Initial Unemployment Insurance Claims	↓	↑	Claims decreased Feb to Mar; YTD claims up 96.9% through Mar 2009.
Total Retail Sales	↓	↓	Metro retail sales decreased Dec to Jan; Jan sales down 9.3% from Jan 2008.
Consumer Confidence Index	↑	↓	Mountain Region up to 41.8 in Apr from 32.8 in Mar; index down 63.2% YTD through Apr 2009.
Hotel Occupancy	↑	↓	Hotel occupancy increased from 51.6% in Feb to 55.5% in Mar; occupancy down 11.7% YTD.
DIA Passengers	↓	↓	Traffic decreased 4% Jan to Feb; traffic down 5.3% YTD through Feb 2009.
Bloomberg Colorado Index	↑	↑	Bloomberg Colorado Index up 17.4% from Mar to Apr; year-to-date return at 6.6%.
Dow Jones Industrial Average	↑	↓	DOW increased 7.3% Mar to Apr; year-to-date return at -6.9%.
Home Sales (closed)	↑	↓	Home sales increased 29.1% Feb to Mar; YTD sales down 15.9% through Mar.
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 increased 31.7% Feb to Mar; YTD down 20.3% through Mar 2009.
Residential Building Permits (Total)	↑	↓	Total permits increased between Jan and Feb; YTD down 63.3% through Feb 2009.
Apartment Vacancy Rate	↑	↑	Vacancy rate increased from 7.9% in Q4 to 8.4% in Q1; avg rental rate at \$882 per month.
Office Vacancy Rate (with Sublet)	↑	↑	Vacancy rate increased from 13.8% in Q4 to 14.7% in Q1; avg lease rate down to \$21.18/sq.ft.
Industrial Vacancy Rate (with Sublet)	↑	↑	Vacancy rate increased from 7.4% in Q4 to 7.6% in Q1; avg lease rate up to \$5.14/sq. ft. (NNN)
Retail Space Vacancy Rate (with Sublet)	↑	↑	Vacancy rate up from 8.5% in Q4 to 9.1% in Q1; avg. lease rate down to \$17.10/sq. ft. (NNN)
<i>Positive Changes</i>	8 of 18	2 of 18	



Economic and Demographic Research

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