



**Metro Denver**  
Economic Development Corporation

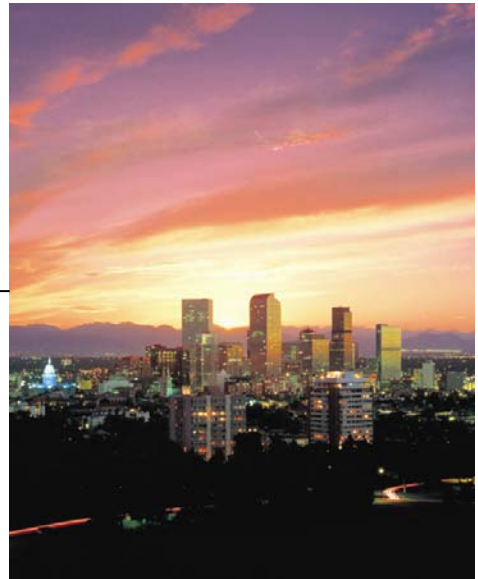
# Monthly Economic Summary

## *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-Broomfield MSA (Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park Counties). This report presents recent data and long-term trends for the seven-county region, MSAs, or counties, depending on availability. The analysis includes four sections: labor force and employment, the consumer sector, residential real estate, and commercial real estate.

## Notable Rankings

- ◆ Colorado ranked fourth overall on *Forbes'* 2009 "Best States for Business" list. Rankings were based on each state's regulatory environment, business costs, labor supply, quality of life, economic climate, and growth potential. Colorado received top-20 rankings for five of the six criteria, including labor supply (first overall) and growth (second overall).
- ◆ A recent ranking by the Tax Foundation suggests Colorado has one of the nation's most favorable business tax climates. The state ranked among the top 15 on the Foundation's *2010 State Business Tax Climate Index*, which measures how corporate and individual income taxes, property and sales taxes, and unemployment insurance tax affect economic activity.
- ◆ Metro Denver ranked 34th among the 100 largest metropolitan areas for economic performance in the second quarter of 2009, according to the Brookings Institution's *Metro Monitor* report. The report ranks metro areas on peak-to-quarter or year-over-year change in employment, unemployment rate, gross metro product (the regional counterpart of gross domestic product), and home prices. Metro Denver achieved its strongest ranking (21st) in the unemployment rate category thanks to a smaller-than-average increase in joblessness over the past year. The region ranked 22nd in the home price category, 52nd in the gross metro product category, and 61st in the employment change category.
- ◆ A recent study by American City Business Journals shows Denver ranks 34th among 100 U.S. cities for income growth over the past 25 years. To assemble the ranking, the group analyzed income growth over 25 time periods of varying lengths and weighted growth rates to emphasize recent trends. A second Colorado city, Colorado Springs, ranked 16th.
- ◆ A report by the American Institute of Economic Research (AIER) named three metropolitan areas in Colorado among the nation's best places to attend college. The AIER's *College Destinations Index: 2009-2010 Edition* groups the nation's 360 metropolitan statistical areas by population and uses 12 criteria to assess quality of life, career opportunities, and academic environment. Denver ranked fifth in the mid-sized metro areas category. Boulder ranked first and Fort Collins ranked fifth in the small cities category.
- ◆ The Society of American Travel Writers recently named Denver among the top ten North American cities for live music. Journalists interviewed for the ranking gave special accolades to Red Rocks Amphitheater in Morrison.
- ◆ Metro Denver ranks 35th among the nation's 40-largest metropolitan areas on a *Forbes* list of the most stressful cities. Criteria for the ranking included unemployment rates, population density, climate, and air pollution, which ranked as the most stressful factor in the relatively relaxed Metro Denver region.
- ◆ *U.S. News & World Report* recently named the city of Aurora among the nation's "Best Places to Retire." Editors noted Aurora's affordable housing, proximity to recreational areas and activities in Denver, and moderate climate among appealing features for retirees.

# MONTHLY ECONOMIC SUMMARY

- ◆ Denver ranks 15th among 100 U.S. cities for worst traffic congestion, according to a report by traffic data provider Inrix. The company's *National Traffic Scorecard* is based on data gathered by "probe vehicles" that travel highways and controlled-access routes.

## Policy Watch

- ◆ President Obama recently enacted four initiatives designed to help Americans save more for retirement. The initiatives took effect immediately and eased administrative requirements for employers who implement automatic enrollment in 401(k) and other retirement savings plans. The initiatives will also give taxpayers the ability to receive their tax refunds as U.S. savings bonds and will allow employers to convert worker pay for unused leave time into retirement contributions. Finally, the initiatives cover the creation of a new "road map" that will help workers better understand their options for transferring retirement savings when they move between jobs.
- ◆ U.S. Treasury officials say they are ready to unwind some of the stimulus measures used to stabilize shaky financial markets. In recent congressional testimony, Treasury Secretary Timothy Geithner said banks that had received funds under the Troubled Asset Relief Program had so far repaid more than \$70 billion of their obligations. The Treasury's money market mutual fund guarantee program was allowed to expire, and Secretary Geithner said plans are proceeding for a public-private purchase program designed to rid the market of toxic assets. He noted, however, that bank interest in selling the assets has been underwhelming, often because banks were able to raise needed capital even with bad assets on their books.
- ◆ Colorado government officials are currently working to reconcile dramatically different budget forecasts for the 2009-2010 fiscal year. A forecast by the non-partisan Legislative Council suggests the state's current budget shortfall could grow by \$240 million to more than \$560 million as property values, tax revenues, and labor markets remain weak. Noting that Governor Ritter has already taken steps to offset the first \$320 million of the shortfall, the Governor's Office of State Planning and Budgeting (OSPB) issued a more optimistic forecast and said no further cuts would be necessary in the current fiscal year. Officials will meet to discuss the forecasts, and the OSPB will balance to the most conservative figure.

## General Economic Overview

The U.S. trade deficit widened for the second consecutive month in July as imports surged higher. According to the U.S. Department of Commerce, the percentage increase in imports between June and July was the largest recorded since 1993, and the dollar value increase was the largest seen in one year. Exports also rose between June and July, although the dollar increase was roughly one-third of the gain in imports.

The U.S. Bureau of Economic Analysis (BEA) offered further evidence of a turning point when spokespeople said the second quarter decline in U.S. gross domestic product (GDP) was smaller than analysts originally estimated. The "third" (final) estimate of GDP suggests the U.S. economy contracted in the second quarter by 0.7 percent, not one percent as estimated previously. Detailed data show business spending on purchases of buildings, equipment, and software is still declining, but an improvement in the estimate of business spending was nonetheless a major factor in the better estimate of overall GDP growth. The BEA will release an advance estimate of third quarter GDP growth on October 29.

In the meantime, policymakers are working to balance cautious optimism with the need to address ongoing economic challenges. Because a recovery has yet to firmly take hold, the Federal Open Market Committee of the Federal Reserve voted at a late-September meeting to keep its target for the federal funds rate between 0 and 0.25 percent. The committee noted that consumer spending and housing markets appear to be stabilizing, and businesses are cutting jobs and capital investment at a slower pace. The committee also announced plans to slow

# MONTHLY ECONOMIC SUMMARY

the purchase of mortgage-backed securities as the Federal Reserve works to unwind its stimulus efforts. The Open Market Committee next convenes on November 3.

As policymakers begin to shift their attention away from stimulus measures, most still agree that an economic recovery is likely to be slow. The Federal Reserve's *Beige Book* report for the Tenth District reinforces the notion of a slow recovery and says late-summer economic conditions in Colorado and neighboring states were little changed from prior months. Survey respondents described retail activity as stable with support from the Cash-for-Clunkers rebate program and back-to-school shoppers. Commercial real estate activity continued to weaken throughout the region, but the first-time homebuyers tax credit lifted the residential real estate market. Credit standards for most types of loans – excluding those for commercial real estate – were essentially unchanged from prior months, and many employers said they have no plans to raise wages or hire workers.

## Economic Indexes

### *National Economy*

- ◆ The Conference Board's Leading Economic Index rose for the fifth consecutive month in August. The group's coincident index – which measures current economic activity – has also stabilized, and analysts say the combined indexes show the recession has ended. Questions remain, however, as to how much and how quickly the economy will rebound in the coming months.
- ◆ The Institute for Supply Management's Purchasing Managers Index remained above growth neutral for the second consecutive month in September. Though some survey respondents said business conditions are slow, others said demand is strengthening.
- ◆ In August, the Institute for Supply Management's Index of Non-Manufacturing Business Activity rose past growth neutral for the first time since September 2008. Respondents' comments on current service sector business conditions are mixed, but business owners have increasingly positive long-term outlooks.

### *Local Economy*

- ◆ The University of Colorado's Leeds Business Confidence Index for the fourth quarter rose to 49.7 from 47.5 in the third quarter as business owners reported a better outlook for the national economy. Respondents' expectations for profits, capital expenditures, and hiring also improved in the fourth quarter survey, although the indexes for these components remain below the growth-neutral point of 50. Generally speaking, Colorado business leaders expect better conditions in the fourth quarter but stop short of anticipating growth.
- ◆ The Goss Institute's Mountain States Business Conditions Index fell below the growth-neutral point of 50 for the second consecutive month in September. While the index reading reflects an economy still struggling to regain traction, results from the surveys used to build the index suggest business owners have an increasingly positive economic outlook and are planning fewer layoffs for the coming months.
- ◆ The Vectra Bank Colorado Small Business Index rose from a revised 78.1 in July to 79.8 in August. Analysts say the increase was primarily tied to higher unemployment rates, which – from a labor availability perspective – can be a positive factor for small businesses.

## **Labor Force and Employment**

*Metro Denver employers cut 3,000 jobs between July and August, and seasonally adjusted data suggest the drop was larger than usual for this time of year.* Employment declined over-the-month in each of the region's 11 industry supersectors except financial activities and government, where hiring in education helped offset other weakness in the public sector. Metro Denver employers cut more than 54,000 jobs across all industries through the first eight months of the year, and nearly three-quarters of those cuts occurred in natural resources and construction, professional and business services, and wholesale and retail trade. The total job decline over the

# MONTHLY ECONOMIC SUMMARY

three-month period totaled 3.8 percent, while job declines in Colorado and the nation reached 3.6 percent and 3.7 percent, respectively.

While layoffs are expected to slow through the end of this year, hiring outlooks are mostly negative. A forecast by consulting firm Challenger, Gray & Christmas suggests this year's holiday hiring will be restrained, and any gains from last year will occur only because 2008 seasonal hiring was some of the weakest reported in years. In a survey conducted by a second consulting firm, the Hay Group, 40 percent of retailers said they would hire fewer workers than they did last year. Forty-eight percent of retailers said they anticipated no change in staff levels from the 2008 holiday season, and almost three-quarters expect 2009 sales to be the same or lower than sales in 2008.

Some analysts note, however, that the holiday hiring outlook is not entirely weak. Bargain-seeking shoppers could boost discount retailers' demand for workers, and other retailers may increase hiring late in the season if buying trends prove better than expected. Some retailers are also benefitting from consolidation in the industry and have a better-than-average outlook. Spokespeople for electronics retailer Best Buy, for example, say the closure of rival Circuit City has brought in more customers and boosted the need for holiday help. Another retailer, Toys R US Inc., announced plans to add the same number of temporary workers this holiday season as it did last year.

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

	Month of Aug-09 (p)	Month of Jul-09	Month of Aug-08	Year-to- Date Average 2009	Year-to- Date Average 2008	Year-to- Date Average % Change	Annual Growth Rate 2004	Annual Growth Rate 1999
<b>Total 11-County Metro Denver*</b>	1,365.0	1,368.0	1,430.7	1,367.1	1,421.3	-3.8%	0.8%	4.0%
Denver-Aurora MSA	1,206.8	1,208.9	1,264.8	1,204.8	1,252.8	-3.8%	0.8%	3.9%
Boulder-Longmont MSA	158.2	159.1	165.9	162.3	168.4	-3.6%	0.9%	4.4%
Natural Resources & Construction	85.8	86.3	101.5	85.2	98.6	-13.6%	-0.7%	10.4%
Manufacturing	81.2	81.7	87.6	82.6	88.3	-6.4%	-0.4%	-1.5%
Wholesale & Retail Trade	202.6	203.5	216.8	204.5	215.8	-5.2%	-0.1%	3.2%
Transp., Warehousing & Utilities	50.3	50.4	52.4	50.6	52.8	-4.1%	0.5%	6.1%
Information	54.0	54.7	57.7	55.0	57.9	-5.0%	-5.4%	11.7%
Financial Activities	101.2	101.0	105.2	100.6	105.5	-4.7%	-0.1%	3.8%
Professional & Business Services	233.4	234.6	250.1	230.4	246.0	-6.3%	3.5%	5.9%
Education & Health Services	156.2	156.4	153.0	156.8	151.9	3.2%	3.2%	1.3%
Leisure & Hospitality	149.2	149.3	154.5	143.5	148.8	-3.6%	2.6%	4.6%
Other Services	52.5	52.7	54.6	52.9	53.8	-1.6%	1.7%	1.9%
Government	198.6	197.4	197.3	205.1	202.1	1.5%	-0.2%	1.4%
Federal Gov't	30.5	30.7	30.5	30.4	30.3	0.2%	-1.6%	-1.5%
State & Local Gov't	168.1	166.7	166.8	174.7	171.7	1.7%	0.1%	2.1%
Colorado	2,260.5	2,262.0	2,369.9	2,266.2	2,351.3	-3.6%	1.2%	3.6%
United States	131,003	131,182	137,002	132,048	137,172	-3.7%	1.1%	2.4%

\*Includes the Denver-Aurora-Broomfield 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

While the recession has significantly altered the retail industry, the manufacturing industry has suffered even larger impacts. Still, some manufacturers are bucking trends with plans to hire. Omaha-based Drake Williams Steel Inc. has purchased a 52,000-square-foot facility in Aurora and plans to hire 20 workers for its initial operations. Spokespeople say company employment could grow to 50 workers as the business expands over the

# MONTHLY ECONOMIC SUMMARY

next five years. Drake Williams manufactures joists, stair systems, and other types of fabricated steel for construction projects. Local building sites using the supplies include 1800 Larimer in Denver and the Vestas campuses.

A second manufacturing company, Denmark-based Bach Composite Industry, is also planning new operations in Metro Denver. The company – which produces composites used in the wind energy industry – will operate from an existing facility in Fort Lupton and could employ between 100 and 150 workers at full production in 2010. Bach spokespeople said the presence of Vestas and other wind energy companies made Colorado a good spot for their new location, but they said the state's skilled workers and commitment to economic development had even more influence on their final decision.

## *Metro Denver Industry Cluster Headlines*

**Aerospace:** Developers will break ground next March on Project Keystone, a 350,000-square-foot office building in Aurora that will house the Aerospace Data Facility Colorado. The Data Facility collects intelligence information to support defense operations and has outgrown its current facility at Buckley Air Force Base. Federal officials would provide no further details about the facility or its potential staff count.

**Aviation:** Denver International Airport has received initial city council approval for a lending arrangement that will fund the airport's second solar power plant. The airport will lend \$4 million from its capital fund to finance the project, which is estimated to cost \$7.2 million. The project is also receiving renewable energy credits from Xcel Energy plus tax incentives and other assistance under the American Recovery and Reinvestment Act. Once completed, the solar plant will supply energy for the airport's fuel storage and distribution facility.

Meanwhile, officials have shifted their expansion plans for the airport's main buildings. In 2008, widespread troubles in the airline industry forced officials to shelve plans for a 10-gate expansion to Concourse C. As conditions improve, though, officials are readying a new development model. A six-gate expansion is now planned for the west end of Concourse A, which is easier for passengers to access from the main terminal. Airport officials say the project contractor will modify the Concourse C plan, and the revised plans will help construction proceed quickly once market conditions improve and gate space is needed.

Air carriers are also waiting on a better market, and many are changing their flight schedules and business strategies. Spokespeople for Southwest Airlines, for example, say the carrier will now charge a \$10 per-flight fee for passengers who want reserved boarding. Currently, boarding on Southwest flights – which have no assigned seats – proceeds according to order of passenger check-in. Southwest spokespeople emphasize that fees on the carrier's flights remain optional.

New fees for another carrier, United Airlines, are mandatory. United spokespeople recently announced a fee that will apply to passengers' second checked bags on some international flights departing on or after December 15. Consistent with other U.S. airlines that offer international service, United will charge passengers \$50 for a second bag on flights between the U.S. and Europe.

Changes are also ahead for Frontier Airlines as the Denver-based carrier emerges from bankruptcy. Now a fully-owned subsidiary of Indianapolis-based Republic Airways Holdings, Frontier recently announced a codeshare arrangement with another of Republic's subsidiaries, Midwest Airlines. Under the agreement, passengers will be able to book itineraries that include both airlines and will have access to both carriers' frequent-flyer programs.

Other areas of redundancy between Frontier and its new sister companies could also force administrative changes for the Denver-based carrier. A Frontier call center in Las Cruces, New Mexico, for example, overlaps reservation services under Midwest Airlines and will close by the end of 2009. Frontier spokespeople say more than 100 employees currently working at the center will be offered transfers or severance. Plans are less clear for a number of other Frontier employees who could be affected if Republic decides to move Frontier's Denver headquarters

# MONTHLY ECONOMIC SUMMARY

and maintenance operations. Discussions on potential job shifts are ongoing, and officials expect some sort of decision in late October.

**Bioscience:** A spokesperson for Westminster-based Allos Therapeutics says the company recently received FDA approval for a cancer-fighting drug and will hire 25 additional workers to help market the treatment. The drug – which treats relapsed cases of a rare blood cancer – is Allos’ first commercial product and is now available for prescription.

Cutting-edge technologies are also under development in the region’s medical device manufacturing industry. Lakewood-based CaridianBCT recently won a \$5.6 million grant from the U.S. Defense Department which will help the company further develop its blood transfusion safety technology. The proprietary technology – called the Mirasol Pathogen Reduction Technology System – uses ultraviolet light and riboflavin to limit infections in transfused blood. The technology has particular applications for medical care during combat, according to spokespeople for the Pentagon.

**Energy:** Buckley Air Force Base in Aurora is proceeding with plans for a \$7.3 million solar installation. The base already has two smaller solar arrays and will be the first in the Air Force Space Command to develop a major project. The completed project – composed of more than 5,000 panels – will supply roughly five percent of the base’s electricity. Contractors will break ground on the new facility in November.

Infrastructure and software work on another major energy development – Xcel Energy’s SmartGridCity project in Boulder – was recently completed. The SmartGrid system includes mechanisms that optimize power transmission by automatically detecting outages and moving power around bottlenecks in the grid. In the fourth quarter, Boulder homeowners with “smart meters” will join the SmartGrid system and will be able to monitor and customize their energy use.

Changes are also ahead for Metro Denver’s fossil energy industry. Spokespeople for Calgary-based EnCana Corp. – an oil and gas company with U.S. headquarters in Denver – say the company will proceed with previously-stalled plans to split into two separate entities. One company will still be called EnCana and will focus entirely on natural gas. A second company – Cenovus Energy Inc. – will manage oil resources and production. Spokespeople did not indicate if or how the split could affect Encana’s Denver operations.

**Broadcasting/Telecommunications:** Not long after it announced a contract for telecommunications services at Lackland Air Force Base, Douglas County-based tw telecom announced a second contract for similar services at Peterson Air Force Base in Colorado Springs. The \$1.4 million Air Force contract covers five years of services.

## Employment Outlook

The most recent *Manpower Employment Outlook Survey* suggests that U.S. businesses have generally weak hiring expectations. At the national level, 12 percent of respondents plan to add jobs in the fourth quarter, compared to 15 percent in the third quarter and 22 percent in the fourth quarter of 2008. The share of employers planning layoffs in the fourth quarter (14 percent) rose one percentage point from the third quarter, and slightly less than 70 percent of employers plan no staffing changes over the next three months. While the large share of employers planning no changes is generally a positive sign given recent labor market turbulence, the survey results nonetheless suggest that jobseekers will struggle in the coming months.

Fourth quarter hiring expectations in Metro Denver are similarly weak. *Nine percent of employers in the Denver Area plan to add jobs over the next three months, compared to 32 percent of employers one year ago. Boulder area employers are only slightly more optimistic, with 12 percent planning to add jobs in the fourth quarter.* Because the vast majority of employers – 68 percent in Boulder and 77 percent in the Denver Area – plan no staffing changes for the fourth quarter, the local labor market appears slightly more stable than markets nationwide. Even so, weaker-than-average hiring expectations in the Denver Area suggest local jobseekers will have limited opportunities in the coming months.

# MONTHLY ECONOMIC SUMMARY

## Employment Outlook Survey

	Quarter 4 2009	Quarter 3 2009	Quarter 4 2008	YTD Avg 2009	YTD Avg 2008	Ann Avg 2004
<b>Denver-Aurora MSA</b>						
Percent of Companies Hiring	9%	9%	32%	11%	28%	24%
Percent of Companies Laying Off	11%	11%	14%	12%	11%	7%
Percent of Companies No Change	77%	77%	54%	74%	50%	62%
Percent of Companies Unsure	3%	3%	0%	3%	11%	8%
<b>Boulder MSA</b>						
Percent of Companies Hiring	12%	18%	33%	16%	22%	N/A
Percent of Companies Laying Off	17%	14%	13%	15%	11%	N/A
Percent of Companies No Change	68%	64%	51%	66%	64%	N/A
Percent of Companies Unsure	3%	4%	3%	4%	4%	N/A

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

*Source: Manpower Inc.*

*Metro Denver's unemployment rate fell from 7.8 percent in July to 7.3 percent in August, and the statewide rate declined from 7.7 percent to 7.1 percent.* Government economists noted, however, that employers in Metro Denver and Colorado cut jobs over the same period. The apparent contradiction, they say, suggests that many jobseekers are halting their searches until more opportunities are available. Jobseekers are counted in the unemployment rate only when they actively search for work, so the unemployment rate tends to fall as more workers wait on a better market. The nationwide unemployment rate was essentially unchanged from the prior month at 9.6 percent in August.

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

	Aug 2009 (p)		2009 YTD Avg		2008 YTD Avg		2004 Ann Avg	1999 Ann Avg
	Labor Force	Unemploy- ment Rate	Labor Force	Unemploy- ment Rate	Labor Force	Unemploy- ment Rate	Unemploy- ment Rate	Unemploy- ment Rate
Metro Denver	1,517.2	7.3%	1,533.9	7.5%	1,544.6	4.7%	5.8%	2.4%
Adams County	224.0	8.4%	226.2	8.8%	226.0	5.2%	6.5%	2.7%
Arapahoe County	308.5	7.2%	311.1	7.5%	313.7	4.7%	5.7%	2.1%
Boulder County	172.0	6.0%	176.5	6.1%	178.8	4.0%	4.9%	2.6%
Broomfield County*	30.4	7.1%	30.5	7.1%	30.8	4.4%	5.8%	
Denver County	319.9	8.0%	323.1	8.4%	324.1	5.2%	6.6%	3.1%
Douglas County	156.1	6.2%	157.3	6.4%	159.4	4.1%	4.7%	1.4%
Jefferson County	306.4	6.9%	309.1	7.3%	311.8	4.5%	5.4%	2.2%
Colorado	2,704.1	7.1%	2,712.9	7.5%	2,725.0	4.7%	5.6%	2.9%
United States	154,897	9.6%	154,528	9.1%	154,118	5.5%	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 quickened slightly between July and August. The weekly average number of claims filed in August rose 3.8 percent from the average in July and almost 59 percent from the average for August 2008.* The average weekly number of claims filed statewide also rose between July and August with the August average almost 65 percent above the average from August 2008.

# MONTHLY ECONOMIC SUMMARY

## Weekly First-Time Unemployment Insurance Claims

	Month of Aug-09	Month of Jul-09	Month of Aug-08	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change
Metro Denver	2,283	2,198	1,439	2,548	1,374	85.5%
Colorado	4,025	3,944	2,446	4,685	2,427	93.1%

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

U.S. retail sales rose by 2.7 percent between July and August, according to data from the U.S. Department of Commerce. The gain was the largest reported since early 2006, although much of the increase was due to higher gas prices and increased auto sales under the Cash-for-Clunkers program. Now that the program has expired, many analysts agree that auto sales will shift downward. September sales data from several auto manufacturers essentially confirmed that forecast, with over-the-year sales declines ranging from 5.1 percent for Ford to 45 percent for General Motors.

Analysts are also watching overall retail sales to see how consumers respond under pressure from weak labor markets and tight credit, both factors that have shown few signs of improvement. The Federal Reserve, for example, recently reported that consumer credit outstanding declined in July for the sixth-consecutive month. This decline – the longest on record since 1991 – likely reflects limited extension of credit as well as limited shopping activity.

Many economists expect consumer activity to remain sluggish until household wealth meaningfully recovers, and that process is likely to take time. A report recently released by the Federal Reserve shows U.S. household net worth rose in the second quarter after a protracted string of declines. The recent series of quarterly declines in net worth was the longest on records dating back to 1952. Analysts say some households could need as much as four years to recover their pre-recession financial positions.

Despite these weaker indications, some surveys suggest consumers may be slightly more willing to spend on gifts this holiday season than they were last year. A survey by Information Resources Inc., for example, shows the number of consumers willing to spend up to \$499 on gifts increased roughly nine percent from last year. At the same time, the share of respondents planning to shop for bargains and sales rose from last year. This frugal consumer behavior is one reason why outlooks from other organizations suggest retailers may report little to no increase in holiday sales from 2008.

One such survey – a report released by Deloitte Touche – suggests retail sales between November 2009 and January 2010 will show no growth from the same period in 2008. That period, incidentally, was the first time in records dating to 1967 that holiday sales declined over-the-year. On a brighter note, the study suggests retailers' margins may fair better this year as many have pared inventory. For consumers, however, a more favorable inventory balance could eliminate many of the drastic discounts available last year.

The fundamentals of the upcoming holiday sales season look fragile at best, so weaker consumer confidence readings have many retail analysts concerned. *The Conference Board's U.S. Consumer Confidence Index retreated in September as survey respondents remained pessimistic about labor market conditions and income growth. The Mountain Region index fell more sharply over the month and registered the second-lowest reading among the nine U.S. regions.*

# MONTHLY ECONOMIC SUMMARY

## Consumer Confidence Index

	Month of Sep-09 (p)	Month of Aug-09	Month of Sep-08	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change	Ann Avg 2004
Mountain	48.0	57.6	75.0	48.9	84.5	-42.2%	108.8
United States	53.1	54.5	61.4	43.3	63.7	-32.1%	96.1

Source: The Conference Board. (p) =preliminary

Metro Denver retail sales followed a typical seasonal trend and increased between May and June. Sales rose over-the-month in each of the seven Metro Denver counties except Adams County, which also reported the largest decline in sales (-18.5 percent) through the first six months of 2009. Year-to-date sales declines among the remaining counties ranged from 6.4 percent in the City and County of Broomfield to 14.2 percent in the City and County of Denver. Compared to the statewide decline in retail sales through the first half of 2009, declines in all but two of the seven Metro Denver counties have been milder.

## Total Retail Sales (\$000s)

	Month of Jun-09	Month of May-09	Month of Jun-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual Growth 2004	Annual Growth 1999
Total Metro Denver	6,955,455	5,957,767	8,186,441	37,250,740	43,072,073	-13.5%	7.4%	7.0%
Adams County	1,073,454	1,101,315	1,330,211	6,179,980	7,583,017	-18.5%	11.7%	10.5%
Arapahoe County	1,393,750	1,173,036	1,585,598	7,492,874	8,491,141	-11.8%	2.6%	10.2%
Boulder County	698,946	560,060	930,058	3,636,148	4,067,890	-10.6%	2.1%	4.1%
Broomfield County	161,460	118,384	149,599	718,511	768,007	-6.4%	49.4%	
Denver County	2,007,777	1,621,539	2,381,117	10,783,758	12,571,943	-14.2%	8.1%	2.2%
Douglas County	569,845	465,102	603,206	2,829,318	3,110,410	-9.0%	16.9%	18.3%
Jefferson County	1,050,223	918,331	1,206,652	5,610,151	6,479,665	-13.4%	3.8%	7.3%
Colorado	11,976,253	9,891,966	13,871,507	62,889,814	72,609,833	-13.4%	7.8%	7.4%

Source: Colorado Department of Revenue.

The most recent reading from the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) suggests price pressures in the economy are still subdued. The index rose just 0.4 percent after adjustment for seasonal trends, and an increase in gasoline prices was responsible for more than 80 percent of the overall shift.

As the CPI data demonstrates, improving economic expectations helped boost oil prices through the early months of 2009. A new supply and demand forecast released by the U.S. Energy Information Administration (EIA), however, could depress the upward trend. While the EIA expects oil demand to increase in 2010 as developed economies continue to recover, EIA analysts say the modest and uncertain nature of the anticipated recovery prompted a reduction in their demand forecast. Combined with an expected increase in oil supply, the reduced demand would make for an international oil surplus of roughly 70,000 barrels per day.

Despite the anticipated increase in world oil supply, EIA analysts say equity markets and exchange rates could still increase crude oil and gasoline prices next year. In the meantime, though, motorists are paying less at the pump. According to the AAA *Daily Fuel Gauge Report*, the national average price per gallon of regular gasoline fell in September to \$2.48 from \$2.61 in August and was more than \$1 below the average from September 2008. The Metro Denver average price was slightly lower at \$2.34 per gallon in September and was also down more than \$1 per gallon from the year-ago average.

*A drop in Metro Denver's average hotel occupancy rate between July and August was consistent with seasonal trends, although the August rate (68.8 percent) was roughly 10 percentage points below the average occupancy reported in August 2008. While weak travel trends are one factor in the year-on-year drop in occupancy, the*

# MONTHLY ECONOMIC SUMMARY

August 2009 decline was magnified by a spike in August 2008 occupancy due to the Democratic National Convention. On a year-to-date basis, Metro Denver's average occupancy rate fell 12 percent while average room rates declined 10.9 percent.

## Metro Denver Hotel Statistics

	Month of Aug-09	Month of Jul-09	Month of Aug-08	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change	Annual 2004	Annual 1999
Percent of Hotel Rooms Occupied	68.8%	72.0%	78.3%	60.3%	68.5%	-12.0%	61.9%	67.2%
Average Hotel Room Rate	\$104.68	\$104.71	\$143.53	\$106.20	\$119.20	-10.9%	\$84.42	\$87.36

Source: Rocky Mountain Lodging Report.

Travel industry experts say business travel trends remain weak, but low fares and hotel rates have spurred leisure trips. *Spokespeople for Denver International Airport say July was the airport's busiest month ever, and the increase in travel from June ended a six-month trend of declining passenger traffic.* Because trends early in the year were considerably weaker, the airport's passenger traffic fell 3.6 percent year-to-date in July.

## Denver International Airport Passengers

	Month of Jul-09	Month of Jun-09	Month of Jul-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual 2004	Annual 1999
Number of Airline Passengers	5,109,342	4,708,808	5,000,505	29,446,896	30,551,725	-3.6%	42,275,913	38,034,017

Source: Denver International Airport, Traffic Statistics.

While stock markets have made impressive gains since spring, analysts say mixed economic signals are keeping investors skittish as the fourth quarter begins. Major national stock indexes ended September with positive year-to-date returns, the largest being a 34.6 percent increase in the NASDAQ. The S&P 500 rose 17 percent year-to-date through September and the Dow Jones Industrial Average increased 10.7 percent. *The year-to-date return on the Bloomberg Colorado Index was a significantly higher 38.4 percent as investors flocked towards the state's energy and technology companies.*

## Stock Market Indexes

	Month of Sep-09	Month of Aug-09	Month of Sep-08	YTD Return 2009	YTD Return 2008	Ann Avg Return 2004
Bloomberg Colorado	305.2	282.1	328.9	38.4%	-26.9%	17.7%
S&P 500	1,057.1	1,020.6	1,164.7	17.0%	-20.7%	9.0%
NASDAQ	2,122.4	2,009.1	2,082.3	34.6%	-21.5%	8.6%
DJIA (Dow Jones)	9,712.0	9,496.5	10,850.7	10.7%	-18.2%	3.1%

Sources: Bloomberg.com, Yahoo! Finance.

# MONTHLY ECONOMIC SUMMARY

## Residential Real Estate

The Colorado Division of Real Estate says more than half of the mortgage broker licenses in Colorado were inactivated when a new broker certification law took effect August 31. Under the Colorado Mortgage Loan Originator Licensing Act, brokers must pass an exam, register with a national database, and pass an FBI background check. More than 4,500 Colorado licenses were inactivated when brokers failed to take the required exam, although government officials say the inactivation may or may not noticeably affect the real estate market. Some of the licenses were held out-of-state, they say, and some of the brokers may not have been originating loans.

Loan volume in Colorado and other states could be poised to spike as homebuyers rush to meet the November 30 deadline for the first-time homebuyer's tax credit. Real estate experts in Metro Denver say a sales boost from the tax credit is particularly apparent in lower price ranges, and the amount of time needed to sell lower-priced homes has also declined more than the average for all homes. Brokers warn, however, that buyers hoping to receive the credit should act quickly as new appraisal rules are lengthening the closing process.

As time on the homebuyer tax credit runs out, policymakers and interest groups are debating the merits of an extension for the popular program. Analysts say roughly 40 percent of U.S. homebuyers will benefit from the credit, and the program's estimated cost – \$15 billion – is double what Congress originally intended. Still, some groups want to extend the program's timeline, increase the credit from \$8,000 to \$15,000, and make the benefit available to all homebuyers. Under those provisions, analysts say, the program's cost could fall between \$50 and \$100 billion. While there is significant industry support for such a program, others say an extended credit would be unduly expensive and continues what from one perspective is an unfair redistribution of benefits between renters and homeowners.

While the debate over homebuyer support continues, policymakers are still working to help struggling homeowners. A report regularly issued by the U.S. Treasury suggests the government's Home Affordable Modification Program (HAMP) is making only slight progress in relieving the foreclosure crisis. The report suggests 12 percent of eligible home loans had been modified between the program's launch in February and the end of August. While up from the 9 percent modification rate reported through July, the program's current success rate suggests many more homeowners are waiting for assistance.

## Home Resales

*Data from the National Association of Realtors (NAR) show U.S. existing home sales fell 2.7 percent in August after increasing in July. Even with the decline, though, total August sales were 3.4 percent above sales from August 2008. Such fluctuations, analysts say, are reminders that a housing recovery is still in its early stages. Existing home sales declined over-the-month in each of the four U.S. regions but remained up over-the-year in each region except the Midwest. Compared to sales from August 2008, sales in August 2009 rose the most (+7.4 percent) in the West.*

Like sales at the national level, existing home sales in Metro Denver declined (-12.1 percent) between July and August. *August sales were roughly 14 percent below sales from August 2008, and August average sales prices for both single-family homes and condominiums were down roughly four percent from the average at the same time last year.*

# MONTHLY ECONOMIC SUMMARY

## Previously-Owned Home Sales Activity

	Month of Aug-09	Month of Jul-09	Month of Aug-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Ann Avg 2004	Ann Avg 1999
Home Sales (Under Contract)	5,248	5,286	5,590	39,564	45,951	-13.9%	66,196	38,248
Home Sales (Closed)	3,905	4,440	4,542	27,708	33,136	-16.4%	54,012	46,742
Unsold Homes on Market	20,225	20,890	24,648	20,225	24,648	-17.9%	23,267	9,350
Average Sales Price-Single Family	\$273,972	\$276,654	\$284,531	\$262,028	\$279,509	-6.3%	\$289,803	\$208,274
Average Sales Price-Condo	\$167,090	\$165,530	\$173,823	\$159,046	\$175,075	-9.2%	\$180,986	\$122,562
Median Sales Price-Single Family	\$227,000	\$229,900	\$225,000	\$217,100	\$225,000	-3.5%	\$236,240	
Median Sales Price-Condo	\$144,500	\$145,500	\$140,000	\$135,000	\$140,000	-3.6%	\$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 suggest the national median home price is still falling as distressed sales maintain a considerable presence in the market. The August median home price (\$177,700) was 12.5 percent below the median from August 2008, and median home prices across U.S. regions were down by similar margins. The August median home price in the West declined the most (-12.2 percent) over-the-year, followed by median prices in the South (-11 percent), the Northeast (-10.5 percent), and the Midwest (-10.4 percent).

A second NAR dataset shows the nationwide median home price was \$174,100 in the second quarter of 2009 and was down 15.6 percent from the median in the second quarter of 2008. Of the 155 MSAs that reported prices for the second quarter, 129 reported an over-the-year decline in the median and 26 reported an increase. The second quarter median home price in the Denver-Aurora-Broomfield MSA (\$223,700) was down just 0.7 percent from the prior year, and the decline was the ninth smallest of those reported in the 129 MSAs where prices fell. The second quarter median in Boulder (\$373,300) also fell 0.7 percent over-the-year in a drop that ranked with the Denver decline as ninth smallest. As in the first quarter, metro areas that reported an over-the-year increase in median home price were concentrated in the middle of the country.

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

	Quarter 2 2009 (p)	Quarter 1 2009 (r)	Quarter 2 2008	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change	Median 2004	Median 1999
Boulder-Longmont MSA	\$373.3	\$328.4	\$375.8	\$350.9	\$365.8	-4.1%	\$325.3	n/a
Denver-Aurora-Broomfield MSA	\$223.7	\$192.9	\$225.2	\$208.3	\$224.4	-7.2%	\$239.1	\$171.3
United States	\$174.1	\$167.3	\$206.4	\$170.7	\$201.3	-15.2%	\$195.2	\$141.2

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

Annual declines in the S&P-Case-Shiller 10-City and 20-City composite home price indices continue to shrink. This suggests the nationwide drop in home prices – while still occurring – is slowing considerably. In another positive development, annual rates of decline in each of the 20 metro area indices grew smaller between June and July, and 18 of the 20 indices rose over-the-month. While all metro indices remain negative on an annual returns basis, the indices for Cleveland, Dallas, and Denver are closest to turning positive.

## Foreclosures

A recent RealtyTrac report suggests that fewer distressed properties are proceeding to the final stage of the foreclosure process, but a steady number of properties are still entering foreclosure for the first time. The number of real-estate owned properties – those in the final stage of foreclosure – declined both over-the-month and over-the-year in August, trends which analysts say reflect more careful control of the foreclosure process. Initial

# MONTHLY ECONOMIC SUMMARY

foreclosure filings in August, however, were 18 percent higher than the count of filings from August 2008. Some analysts are concerned that foreclosures will again rise over the next year as households struggle with lower incomes and job loss.

*Metro Denver foreclosure filings fell 4.8 percent between July and August, but the August total was more than twice the total number of filings reported in August 2008.* Total Metro Denver foreclosures through the first eight months of the year rose 2.3 percent from filings in the same months of 2008, with the highest year-to-date increases in the City and County of Broomfield (+28.5 percent) and Boulder County (+25.5 percent). While foreclosure activity in these areas has noticeably increased over the past year, at least some of the large percentage gain reflects the areas' comparatively small size.

## Real Estate Foreclosures

	Month of Aug-09	Month of Jul-09	Month of Aug-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual Total 2004
Total Metro Denver*	2,385	2,505	898	18,067	17,661	2.3%	12,252
Adams County	537	490	266	3,990	4,130	-3.4%	2,498
Arapahoe County	554	590	167	4,108	4,134	-0.6%	3,125
Boulder County	132	145	46	920	733	25.5%	524
Broomfield County	27	34	9	239	186	28.5%	134
Denver County	550	634	148	4,337	4,398	-1.4%	3,345
Douglas County	284	222	111	1,793	1,522	17.8%	800
Jefferson County	301	390	151	2,680	2,558	4.8%	1,826

*\*Figures represent the total number of election and demand setups received by county public trustees in the given period. Some foreclosures may be subsequently cured or withdrawn.*

*Sources: Various county public trustees in Metro Denver.*

## New Homes

Data from the U.S. Department of Commerce show nationwide new home sales rose for the fifth consecutive month in August, although the month's gain was smaller than analysts expected. Whether or not new home sales are actually losing momentum remains in question, because the impending expiration of the first-time homebuyer's tax credit is likely to spur additional new home sales in the coming weeks. August new home sales increased from August 2008 sales in the Northeast (+28.6 percent) and the West (+30.4 percent). Sales declined over-the-year in the South (-11.1 percent) and Midwest (-31.9 percent).

Slightly better new home sales conditions have supported a modest increase in new home construction over the past several months. Data from the U.S. Department of Commerce show construction starts on all types of privately owned housing rose 1.5 percent between July and August. Even so, almost 30 percent fewer construction starts were active in August 2009 than in August 2008. Regional data comparisons over-the-year show housing starts down by anywhere from 10.9 percent in the Midwest to 41.8 percent in the Northeast.

Slowly improving trends in new home sales and construction have stabilized builder sentiment over the past several months. The National Association of Homebuilders/Wells Fargo Housing Market Index rose for the third consecutive month in September as builders observed improvements in buyer traffic and current sales conditions. Builders' six-month sales expectations have weakened, however, as some doubt the sturdiness of the housing recovery.

*Builders in Metro Denver pulled fewer permits in July as work on single-family attached housing slowed. Permits for attached housing fell 64 percent on a year-to-date basis in July, while permits for apartment projects contracted by a significantly larger 87.5 percent.* When all types of residential buildings are considered, the

# MONTHLY ECONOMIC SUMMARY

Metro Denver permit count for the first seven months of the year was less than one-third of the count reported during the same months in 2008.

## Residential Building Permits

	Month of Jul-09	Month of Jun-09	Month of Jul-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Total 2004	Total 1999
Single-Family Detached Units	256	220	377	1,279	2,572	-50.3%	14,260	17,523
Single-Family Attached Units	22	91	57	363	1,007	-64.0%	4,843	2,883
Multi-Family Units	0	0	538	342	2,730	-87.5%	2,681	4,784
Total Units	278	311	972	1,984	6,309	-68.6%	21,784	25,190

Source: Home Builders Association of Metro Denver.

## Apartment Rental Market

Metro Denver's average apartment vacancy rate rose in the second quarter of 2009 to the highest level reported since the first quarter of 2005. The second quarter rate (nine percent) was nearly three percentage points higher than the vacancy rate reported at the same time last year, and housing officials say the increase reflects heavy job losses. The region's second quarter average rental rate fell to \$870 from \$882 in the first quarter and was more than \$16 below the average from the second quarter of 2008.

## Apartment Statistics

	Quarter 2 2009	Quarter 1 2009	Quarter 2 2008	YTD Average 2009	YTD Average 2008	YTD Average % Change	Annual Average 2004	Annual Average 1999
Apartment Vacancy Rate	9.0%	8.4%	6.2%	8.7%	6.1%		9.7%	4.5%
Average Monthly Rental Rate (all units)	\$870	\$882	\$886	\$876	\$874	0.2%	\$817	\$717

Source: Denver Metro Apartment Vacancy and Rent Survey.

## Commercial Real Estate

Builders recently brought the Four Seasons Hotel and Private Residences in downtown Denver to its full height. The \$350 million, 45-story building at 14th and Arapahoe will offer 230 hotel rooms and more than 100 condominiums. The building should be completed early next year.

A second hotel is also under development on the 14th Street corridor. WPM Construction is building a 17-story, 120-room Embassy Suites that will join a series of hotels positioned to attract visitors to the Colorado Convention Center.

While some Metro Denver projects are bucking weak trends in commercial real estate, others have succumbed to significant pressures. Some of the property slated for redevelopment as part of the Metropolitan Gardens project has returned to its original owner. The property – at the site of the former Gates Rubber factory in southwest Denver – was part of a \$1 billion redevelopment project designed to add 2,500 housing units, retail shops, and office space. As financial markets soured, however, developer Cherokee Denver lost funding for parts of the project and more recently lost funding needed for environmental remediation. As a result, Gates Corporation has re-taken title for parts of the property. Portions of the property still owned by Cherokee have an uncertain future, spokespeople say, because the company is currently unable to proceed with development.

Data on the broader commercial real estate market suggest other businesses are also facing development challenges. *According to CoStar Realty Information, Inc., the amount of Metro Denver office market property*

# MONTHLY ECONOMIC SUMMARY

*under construction continued to decline between the second and third quarters of 2009. Because building activity was relatively restrained over the past several years, however, the total amount of office property completed to date – just less than one million square feet – is roughly in-line with the amount of property completed at the same time in 2008 and in 2007. Major projects in progress during the third quarter included the FBI headquarters in Stapleton and the University Physicians headquarters at Anschutz Medical Campus in Aurora.*

*Other office market fundamentals are still weakening. The direct office market vacancy rate rose four-tenths of one percentage point to 13.9 percent in the third quarter, and direct average lease rates fell by roughly \$0.40 per square foot to end the quarter at \$20.60.*

## Office Market Statistics

	Quarter 3 2009	Quarter 2 2009	Quarter 3 2008	Quarter 3 2007	Quarter 3 2006	Quarter 3 2005
Number of Buildings	5,274	5,270	5,243	5,169	5,113	5,053
Existing Square Feet (millions)	163.1	162.8	160.9	159.4	157.7	156.1
Vacant Square Feet (direct, millions)	22.6	22.0	19.9	18.9	19.5	21.7
Vacancy Rate (direct)	13.9%	13.5%	12.4%	11.9%	12.3%	13.9%
Vacancy Rate (with sublet)	15.0%	14.7%	13.2%	12.5%	13.2%	15.2%
Avg. Lease Rate (direct, per sq. ft, full service)	\$20.60	\$21.03	\$21.61	\$20.48	\$18.30	\$17.24
New Construction Completed (year-to-date)	0.93 MSF, 19 Bldgs	0.69 MSF, 15 Bldgs	1.05 MSF, 44 Bldgs	1.06 MSF, 39 Bldgs	0.96 MSF, 33 Bldgs	0.50 MSF, 31 Bldgs
Currently Under Construction	1.76 MSF, 13 Bldgs	1.93 MSF, 13 Bldgs	3.41 MSF, 54 Bldgs	2.94 MSF, 74 Bldgs	1.77 MSF, 48 Bldgs	1.21 MSF, 32 Bldgs

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

*The near-standstill in Metro Denver industrial market construction over the past several quarters could be one reason why the region's industrial market vacancy rate has risen less than the comparable office rate. In fact, Metro Denver's direct industrial vacancy rate actually declined to 7.1 percent in the third quarter, according to data from CoStar Realty Information, Inc. Average industrial market lease rates declined slightly to \$4.85 per square foot in the third quarter.*

## Industrial Market Statistics

	Quarter 3 2009	Quarter 2 2009	Quarter 3 2008	Quarter 3 2007	Quarter 3 2006	Quarter 3 2005
Number of Buildings	6,635	6,633	6,621	6,575	6,519	6,465
Existing Square Feet (millions)	214.0	213.9	212.9	210.7	207.9	205.6
Vacant Square Feet (direct, millions)	15.2	15.4	13.3	12.5	14.7	15.8
Vacancy Rate (direct)	7.1%	7.2%	6.3%	6.0%	7.1%	7.7%
Vacancy Rate (with sublet)	7.3%	7.5%	6.6%	6.1%	7.4%	8.1%
Avg. Lease Rate (direct, per square foot, NNN)	\$4.85	\$4.99	\$5.16	\$5.02	\$4.93	\$4.71
New Construction Completed (year-to-date)	0.23 MSF, 6 Bldgs	0.19 MSF, 4 Bldgs	1.77 MSF, 33 Bldgs	1.34 MSF, 20 Bldgs	1.19 MSF, 20 Bldgs	0.61 MSF, 21 Bldgs
Currently Under Construction	0 MSF, 0 Bldgs	0 MSF, 0 Bldgs	0.90 MSF, 11 Bldgs	1.17 MSF, 23 Bldgs	1.53 MSF, 25 Bldgs	0.84 MSF, 21 Bldgs

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

*Metro Denver's flex market has suffered larger recession impacts than the region's industrial market. Data from CoStar Realty Information, Inc. show the direct flex market vacancy rate rose in the third quarter to 15 percent, or the highest rate reported for the market since 2005. Direct average lease rates fell by roughly \$0.10 per square foot to end the third quarter at \$9.43, and flex market construction activity has essentially halted.*

# MONTHLY ECONOMIC SUMMARY

## Flex Space Statistics

	Quarter 3 2009	Quarter 2 2009	Quarter 3 2008	Quarter 3 2007	Quarter 3 2006	Quarter 3 2005
Number of Buildings	1,347	1,344	1,331	1,304	1,288	1,268
Existing Square Feet (millions)	38.2	38.1	37.5	36.7	36.4	35.9
Vacant Square Feet (direct, millions)	5.7	5.5	4.8	4.3	4.7	5.0
Vacancy Rate (direct)	15.0%	14.4%	12.7%	11.8%	13.0%	13.9%
Vacancy Rate (with sublet)	15.8%	15.1%	13.5%	12.6%	13.5%	14.8%
Avg. Lease Rate (direct, per square foot, NNN)	\$9.43	\$9.53	\$9.92	\$9.22	\$8.43	\$8.15
New Construction Completed (year-to-date)	0.27 MSF, 8 Bldgs	0.10 MSF, 5 Bldgs	0.59 MSF, 20 Bldgs	0.16 MSF, 8 Bldgs	0.39 MSF, 13 Bldgs	0.26 MSF, 16 Bldgs
Currently Under Construction	0 MSF, 0 Bldgs	0.20 MSF, 4 Bldgs	0.38 MSF, 11 Bldgs	0.38 MSF, 11 Bldgs	0.07 MSF, 2 Bldgs	0.23 MSF, 7 Bldgs

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

*As the lingering effects of recession put more pressure on retailers, Metro Denver's retail real estate market continues to suffer. Data from CoStar Realty Information, Inc. show the region's direct retail market vacancy rate rose in the third quarter to the highest rate (9 percent) reported in at least a decade. The third quarter average lease rate fell to \$16.56 per square foot in a fifth-consecutive quarterly decline. Total retail property under construction in the third quarter was less than one-fifth of the volume under construction one year ago, although several large projects – including Phase II of Lincoln Commons in Douglas County and a Super Target store in Highlands Ranch – continued under development.*

## Retail Market Statistics

	Quarter 3 2009	Quarter 2 2009	Quarter 3 2008	Quarter 3 2007	Quarter 3 2006	Quarter 3 2005
Number of Buildings	7,813	7,792	7,714	7,590	7,475	7,310
Existing Square Feet (millions)	149.7	149.1	147.5	143.9	140.9	136.6
Vacant Square Feet (direct, millions)	13.5	12.9	11.6	9.7	10.6	9.1
Vacancy Rate (direct)	9.0%	8.7%	7.8%	6.7%	7.6%	6.6%
Vacancy Rate (with sublet)	9.4%	9.0%	8.1%	7.0%	7.8%	6.9%
Avg. Lease Rate (direct, per square foot, NNN)	\$16.56	\$16.87	\$17.43	\$16.49	\$16.06	\$15.62
New Construction Completed (year-to-date)	1.58 MSF, 62 Bldgs	1.05 MSF, 37 Bldgs	2.55 MSF, 73 Bldgs	1.04 MSF, 26 Bldgs	3.47 MSF, 34 Bldgs	N/A
Currently Under Construction	0.55 MSF, 17 Bldgs	0.62 MSF, 24 Bldgs	2.94 MSF, 72 Bldgs	5.94 MSF, 127 Bldgs	4.23 MSF, 62 Bldgs	N/A

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

# MONTHLY ECONOMIC SUMMARY

## Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↓	↓	Employment decreased by 3,000 jobs Jul to Aug; YTD emp. down 3.8% through Aug 2009.
% Companies Hiring (Denver Area)	↔	↓	9% of companies expect to add workers in Q4 2009 and 77% expect no change.
Unemployment Rate	↓	↑	Metro rate 7.3% in Aug; YTD avg. rate of 7.5% up from 4.7% in 2008.
Initial Unemployment Insurance Claims	↑	↑	Claims increased Jul to Aug; YTD claims up 85.5% through Aug 2009.
Total Retail Sales	↑	↓	Metro retail sales increased May to Jun; total sales down 13.5% YTD through Jun 2009.
Consumer Confidence Index	↓	↓	Mountain Region down to 48 in Sep from 57.6 in Aug; index down 42.2% YTD through Sep 2009.
Hotel Occupancy	↓	↓	Hotel occupancy decreased from 72% in Jul to 68.8% in Aug; occupancy down 12% YTD.
DIA Passengers	↑	↓	Traffic increased Jun to Jul; traffic down 3.6% YTD through Jul 2009.
Bloomberg Colorado Index	↑	↑	Bloomberg Colorado Index up 8.2% from Aug to Sep; year-to-date return at 38.4%.
Dow Jones Industrial Average	↑	↑	DOW increased 2.3% Aug to Sep; year-to-date return at 10.7%.
Home Sales (closed)	↓	↓	Home sales decreased 12% Jul to Aug; YTD sales down 16.4% through Aug.
Median Home Price (Denver-Aurora MSA)	↑	↓	Median home price in Denver MSA up 16% Q1 to Q2 2009; YTD price down 7.2%
Foreclosures	↓	↑	Foreclosures decreased 4.8% Jul to Aug; YTD up 2.3% through Aug 2009.
Residential Building Permits (Total)	↓	↓	Total permits decreased between Jun and Jul; YTD down 68.6% through Jul 2009.
Apartment Vacancy Rate	↑	↑	Vacancy rate increased from 8.4% in Q1 to 9% in Q2; avg rental rate at \$870 per month.
Office Vacancy Rate (with Sublet)	↑	↑	Vacancy up from 14.7% to 15% in Q3 2009; avg lease rate down to \$20.60/sq.ft.
Industrial Vacancy Rate (with Sublet)	↓	↑	Vacancy rate decreased from 7.5% to 7.3% in Q3 2009; avg lease rate down to \$4.85/sq. ft. (NNN)
Retail Space Vacancy Rate (with Sublet)	↑	↑	Vacancy rate up from 9% to 9.4% in Q3; avg. lease rate down to \$16.56/sq. ft. (NNN)
<i>Positive Changes</i>	<b>8 of 18</b>	<b>2 of 18</b>	



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