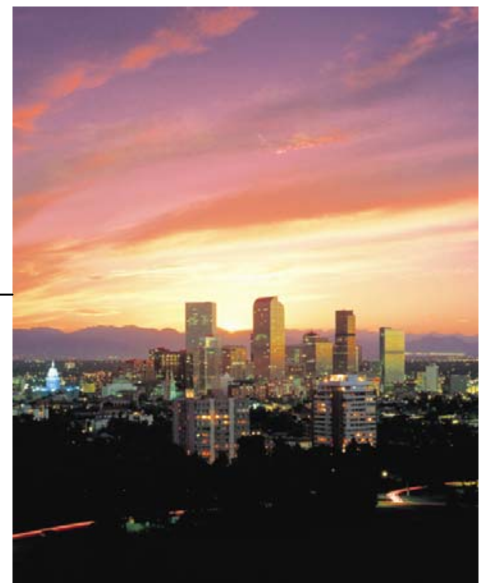
Metro Denver
Economic Development Corporation

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

- A recent survey by human resource association WorldatWork ranks Denver among 10 U.S. cities where workers have the best chances of receiving a pay raise. Despite the weak labor market, slightly more than three-quarters of Denver respondents to the WorldatWork survey indicated that middle-performing employees would receive a raise in 2009. Denver respondents said raises would average 2.1 percent.
- *Forbes* recently ranked Denver among the top ten cities for working mothers. Criteria for the ranking included unemployment rate and salary levels, crime rates, health care and day care options, and park space.
- Metro Denver is among the nation's ten "Best Cities for a Housing Recovery," according to *Forbes*. A spokesperson for the magazine says "Best Cities" are those that – according to data from Zillow.com – have reported the strongest over-the-year gains in homes sales. Winning cities also reported the lowest percentages of sales attributable to foreclosure. Metro Denver ranked seventh overall and Colorado Springs ranked third.
- Boulder is the nation's strongest housing market, according to a recent *BusinessWeek* ranking. The ranking is based on data from Zillow.com and identifies 30 metropolitan areas where the highest shares of homes gained value between the second quarters of 2008 and 2009. The only other Colorado city on the list, Fort Collins, ranked 19th.
- Colorado ranks 11th among the states for economic performance, according to a recent study by the Pacific Research Institute. The study used data for the previous five years and ranked the institute's home state, California, against others on measures including gross domestic product, unemployment, and private sector job growth. Colorado earned its highest individual criteria ranking (10th) for entrepreneurship.
- *Inc.* magazine named 14 Colorado companies to its 2009 "Inc. 500" list. The list identifies the fastest-growing businesses based on companies' revenue growth between 2005 and 2008. Highlands Ranch-based Broadnet Teleservices ranked highest (54th) among the Colorado winners. The broader "Inc. 5000" list named an additional 133 Colorado companies among the nation's fastest-growing businesses.
- Several Colorado schools received high honors in the 2010 edition of "America's Best Colleges," a set of annual rankings assembled by *U.S. News and World Report.* Some of the rankings include:
    - Colorado School of Mines, Golden – 77th among national universities.
    - University of Colorado at Boulder – 77th among national universities.
    - University of Denver – 84th among national universities.
    - Colorado State University – 128th among national universities.
    - Regis University – 27th among master's universities in the West.
    - University of Colorado at Colorado Springs – 30th among master's universities in the West.

- United States Air Force Academy, Colorado Springs – first among baccalaureate colleges in the West; second for undergraduate engineering programs in the aerospace, aeronautical, and astronautical specialties; and seventh for undergraduate engineering programs in the electrical, electronics, and communications specialties.

- Data from the U.S. Bureau of Labor Statistics show per capita personal income in the Denver-Aurora-Broomfield MSA was $47,510 in 2008 and ranked 22nd highest among income levels in all 366 MSAs. Per capita personal income in the Boulder MSA was $52,719 and ranked 12th highest overall. While the data suggest Denver area income levels are relatively high, 2008 income growth in the Denver-Aurora-Broomfield MSA (1.8 percent) fell behind the national average (2.5 percent). Rapid population growth could be one factor in the region's slower-than-expected income gains.

- Nielson Media Research recently ranked Denver as the nation's 16th-largest television market. The Nielson rankings reflect the number of televisions in 210 market areas nationwide, and Denver was one of only three markets in the top 30 to move up in this year's rankings. Analysts say the improvement could mean changing rates for some types of national advertising.

- Colorado ranks low among the 50 states in per capita stimulus spending to-date, according to a report by nonprofit ProPublica. Spokespeople say the report uses data from official federal stimulus and procurement web sites, and Colorado ranks fourth from the bottom for its per capita stimulus spending ($293) through mid-July. The report considers only authorized stimulus funds and not the total states expect to receive.

Policy Watch

- Budget data released by the White House and the non-partisan Congressional Budget Office (CBO) suggest that slow revenue growth and high costs for entitlement programs will imperil the nation's financial health over the next decade. According to CBO estimates, the federal deficit – or the annual gap between public spending and revenues – will reach a record $1.6 trillion in fiscal 2009 and $1.4 trillion in fiscal 2010. White House estimates suggest the national debt – or the cumulative total of government obligations – will rise as a percentage of gross domestic product from 48 percent in 2009 to 69 percent in 2019.

  While the growing debt figures are a key concern for the future, they also pose considerable policy challenges today. The tax increases and spending cuts often used to balance the budget will be difficult to implement post-recession, and foreign holders of U.S. debt may demand higher interest rates that could quickly dampen an economic recovery.

- Government revenues from banks that have fully repaid their obligations from the Troubled Asset Relief Program (TARP) exceed $4 billion. Analysts say the funds suggest taxpayer investment in banks may be turning profitable, although significant potential for government losses remains.

- Two Colorado laws designed to strengthen the state's economy recently took effect. The Income Tax Credit for Colorado's Job Growth (HB 1001) allows a 50 percent reduction in mandatory Social Security and Medicare Taxes for employers who move to Colorado and create at least 20 jobs. True to its name, the Clean Technology/Medical Device Tax Refund (HB 1025) gives rebates of state sales and use taxes to small businesses for research and development spending on clean technology or medical devices.

- A recent report by the Colorado Department of Transportation suggests stimulus-funded road and transit projects across the state had created or saved nearly 1,700 jobs as of late July. Officials say the projects also supported more than $2.1 million in payroll. The Colorado Department of Transportation and other agencies had put 51 stimulus-funded transportation projects out for bid as of July 31, and 31 of those projects were ready to begin or were already in progress.

- The Obama administration recently unveiled a $2.4 billion stimulus investment in 48 projects related to battery and drive components for electric cars. Most battery components for advanced technology vehicles are currently manufactured in Asia, and government officials hope the projects will jump-start a green technology manufacturing base in the U.S. In Colorado, UQM Technologies, Inc. of Frederick will receive $45.1 million of the $50 million in total awards to the state. The remaining funds will be distributed to Colorado State University, Arapahoe Community College, and the Douglas County School District. The institutions are planning cooperative programs that will train electric vehicle technicians and help emergency personnel develop safety protocol for electric cars.
- The federal government's $3 billion "Cash for Clunkers" program ended in late August after delivering a 690,000-vehicle boost in nationwide auto sales. In Colorado, 8,900 car sales attributable to the program generated $37.7 million in total rebate dollars. Government officials say the program also generated $9 million in Colorado state and local tax revenues, although some analysts say the rebates cannibalized future auto sales and left some dealers with low inventory and unreimbursed expenses.

  Next in the government's consumer stimulus toolbox is a "Cash for Refrigerators" program that will provide rebates for purchases of efficient appliances. Rebates under the program – which is scheduled to begin this fall – will vary by state, and consumers will not be required to trade in old appliances to qualify.

General Economic Overview

A June increase in U.S. imports of goods was the first of its kind in 10 months, according to data from the U.S. Department of Commerce. Total U.S. imports of goods and services increased 2.3 percent between May and June and exports rose two percent, so the overall U.S. trade deficit rose to $27 billion from $26 billion in May. While the increase in imports could reflect a more positive outlook for the U.S. consumer, buying activity has significant distance to recover. June imports of nonpetroleum products, for example, were the lowest reported since 2004, and imports of consumer goods were the lowest reported since late 2005.

Like the trade deficit figures, data on the nation's gross domestic product (GDP) suggest that progressively less-negative consumer trends may be helping the recession reach bottom. The U.S. Bureau of Economic Analysis' "second" estimate of GDP – formerly called the "preliminary" estimate – confirmed the advance estimate and suggested that GDP contracted at a one percent annual rate in the second quarter. The Bureau of Economic Analysis (BEA) made upward revisions to household spending, exports, and spending on residential structures that offset downward revisions to business inventories and business spending on buildings, equipment, and software. The BEA will release a third (final) estimate of GDP on September 30.

Noting data on GDP and other economic indicators, the Federal Open Market Committee of the Federal Reserve recently suggested that U.S. economic conditions are weak but improving. Financial markets have strengthened and the decline in household spending appears to be leveling off, as does the widespread reduction in business inventory. In response to concerns over rising oil prices, the committee suggested that significant slack in the nation's economy should offset cost pressures for at least the near future. The committee also elected to keep its target federal funds rate in the zero to 0.25 percent range and will next convene on September 22.

Economic Indexes

National Economy

- The Conference Board's Leading Economic Index rose for the fourth consecutive month in July, and more of the ten individual indicators are showing positive trends. Analysts say the index's six-month growth rate is the highest reported since mid-2004, and the index's overall behavior suggests the recession has reached bottom.
- The Institute for Supply Management's Purchasing Managers Index rose in August to its highest level (52.9) since June 2007. Eleven of the 18 manufacturing industries involved in the index survey reported growth

between July and August, and some respondents suggested that inventories would need to increase to keep pace with new orders.

- The Institute for Supply Management's Index of Non-Manufacturing Business Activity remained below the growth-neutral level in July, and July's reading suggests the ongoing contraction in the service sector has quickened slightly. The July index broke precedent with prior months' readings, which had indicated a slowing pace of decline in the service sector.

Local Economy

- The Leeds Business Confidence Index for the third quarter rose to 47.5 from 35.5 in the second quarter as business leaders reported a mix of positive and negative expectations. Notably, local business leaders are increasingly optimistic about Colorado's economy and their third-quarter sales prospects. At the same time, business leaders remain cautious about their near-term capital investment and hiring plans. (*Note: the Leeds Business Confidence Index was formerly called the Colorado Business Leaders' Confidence Index.*)
- The Mountain States Business Conditions Index reversed an improvement in July and declined in August. Again below the growth-neutral point of 50, the index suggests that the nation's economic recovery has so far been weak. In a supplementary survey included with the index this month, 15 percent of supply managers in the mountain region said their business had benefitted from federal stimulus.
- The Vectra Bank Colorado Small Business Index rose from 77.7 in June to 78.2 in July. Analysts say the better reading reflects improving conditions in the nation's economy, and many expect clear improvements in Colorado's economy will follow.

Labor Force and Employment

Metro Denver employers cut 9,400 jobs between June and July, but seasonally adjusted data suggest the loss was smaller than expected for this time of year. Year-to-date growth rates for each of the 11 Metro Denver industry supersectors except education and health services and government remained negative in July, with the largest percentage declines in natural resources and construction, manufacturing, and professional and business services. Still, recent monthly increases in professional and business services employment could indicate a stabilizing job market. The industry includes temporary and contract worker employment, and an increase in these sorts of jobs tends to foretell a better labor market.

While some industries show signs of stabilization, others more dependent on consumers are still facing major adjustments. The U.S. Postal Service – the second only to Wal-Mart in total nationwide employment – recently announced a staff reduction that will affect up to 30,000 workers. Postal Service spokespeople say automation and declining mail volume are chiefly to blame for the reduction, which officials hope to achieve through voluntary buyouts for mail processing workers.

In another consumer-intensive industry, grocery sales, competition for increasingly frugal customers is forcing some businesses to close. Spokespeople for Albertsons LLC say the chain will close stores in Greenwood Village, Lafayette, Longmont, Boulder, and Arapahoe County by the end of October. Albertsons will also close its only Colorado distribution center, and an Arizona distribution center will serve the 26 Colorado stores remaining after the closures are completed. Spokespeople say all closures will affect roughly 500 Metro Denver workers.

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

	Month of Jul-09 (p)	Month of Jun-09	Month of Jul-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*	1,367.4	1,376.8	1,427.8	1,367.3	1,419.9	-3.7%	0.8%	4.0%
Denver-Aurora MSA	1,208.5	1,215.5	1,260.7	1,204.4	1,251.1	-3.7%	0.8%	3.9%
Boulder-Longmont MSA	158.9	161.3	167.1	162.9	168.8	-3.5%	0.9%	4.4%
Natural Resources & Construction	85.4	86.6	101.3	85.0	98.2	-13.4%	-0.7%	10.4%
Manufacturing	81.7	81.7	88.0	82.8	88.3	-6.3%	-0.4%	-1.5%
Wholesale & Retail Trade	205.0	204.9	216.8	205.0	215.6	-4.9%	-0.1%	3.2%
Transp., Warehousing & Utilities	50.3	50.4	52.8	50.6	52.8	-4.1%	0.5%	6.1%
Information	54.8	54.9	58.0	55.2	57.9	-4.8%	-5.4%	11.7%
Financial Activities	100.9	100.9	105.7	100.5	105.6	-4.8%	-0.1%	3.8%
Professional & Business Services	234.3	233.2	248.7	230.0	245.4	-6.3%	3.5%	5.9%
Education & Health Services	156.5	158.1	152.2	156.9	151.8	3.4%	3.2%	1.3%
Leisure & Hospitality	149.1	148.7	154.9	142.6	148.0	-3.6%	2.6%	4.6%
Other Services	52.7	52.9	54.6	52.9	53.6	-1.3%	1.7%	1.9%
Government	196.7	204.5	194.8	205.9	202.7	1.6%	-0.2%	1.4%
Federal Gov't	30.8	30.4	30.6	30.4	30.3	0.3%	-1.6%	-1.5%
State & Local Gov't	165.9	174.1	164.2	175.5	172.4	1.8%	0.1%	2.1%
Colorado	2,263.6	2,274.5	2,363.6	2,267.2	2,348.6	-3.5%	1.2%	3.6%
United States	131,318	132,651	137,050	132,220	137,196	-3.6%	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

Metro Denver Industry Cluster Headlines

Aerospace: Spokespeople for the United Launch Alliance say the company intends to consolidate office space and group its 1,800 Colorado employees in one location. The Centennial-based company currently leases three separate spaces and hopes to find one larger building, although spokespeople have provided few details on the building's potential location or size. The announcement came shortly after the company publicized plans to lay off more than 80 Denver-area employees in October.

Other aerospace employers are also planning layoffs. Jefferson County-based Lockheed Martin Space Systems Co. plans to cut roughly 800 jobs in Metro Denver and Sunnyvale, California by the end of 2009. Spokespeople say the 4.5 percent staff reduction is necessary to align the company's employment with a declining volume of government contracts. Officials are still determining how the cuts will affect jobs in Metro Denver, where the company reportedly employs 4,400.

Aviation: A bidding war for Denver-based Frontier Airlines ended in August when a bankruptcy court approved the carrier's sale to Indianapolis-based Republic Airways Holdings. Spokespeople say Frontier will continue to operate as usual under Republic ownership, but company officials have not determined if Frontier headquarters will move. The Republic Airways offer reportedly beat a higher bid from Southwest Airlines because Republic's bid included better terms for Frontier creditors. Southwest spokespeople blame failed negotiations between pilots' unions for the loss of the Frontier deal.

Other aviation headlines included the announcement of a second solar development at Denver International Airport. If the project wins city council approval, a $7 million plant will be located on nine acres north of the airport and will supply all of the energy needed to operate the airport's fuel storage and distribution center.

Bioscience: California-based Gilead Sciences Inc. will close two Colorado locations and cut more than 60 jobs by the end of the year. Spokespeople say a pending acquisition of another pharmaceutical company has made the closures necessary. Roughly half of the employees at the affected offices in Boulder and Westminster have the opportunity to relocate.

Energy: Xcel Energy is taking another step towards the 20 percent renewable energy portfolio standard it must meet by 2020. Xcel spokespeople say the utility opened a bid process and selected projects that will add almost 1,000 megawatts of wind and solar energy to the grid by 2015. That amount of power would support the needs of 750,000 homes and would equal the power generated by a mid-sized coal-fired plant, officials say. The Xcel plan is currently awaiting approval from the Public Utilities Commission.

Separately, Xcel Energy reported plans to partner with Abengoa Solar IST in a pilot program to be launched at Xcel's coal-fired Cameo power plant near Grand Junction. The companies recently broke ground on a $4.5 million solar unit at the Cameo plant that could eliminate the need for as much as 900 tons of coal each year. Spokespeople say the project is the first of its kind in the United States and will help utilities determine if solar and coal-fired power can be generated at the same facility.

In other energy headlines, spokespeople for REpower USA Corp. – a subsidiary of REpower Systems AG of Germany – said the company will relocate its headquarters to Denver from Portland, Oregon. They noted that the Portland location has kept REpower close to west-coast energy projects, but expanding energy markets in other parts of the country are making a central location more desirable. Spokespeople also recognized Denver's transportation infrastructure and good business climate as key factors in the relocation decision. The company is expected to move in early September and will relocate or hire roughly 25 employees, and spokespeople say the company could double its Denver staff base in the first year of operations.

The U.S. Department of Energy recently confirmed its selection of the National Renewable Energy Laboratory (NREL) as one of 46 Energy Frontier Research Centers and committed to provide NREL with $20 million over the next five years. Scientists working in the new center will use advanced computer systems and quantum theory to design materials with renewable energy applications.

Broadcasting/Telecommunications: Douglas-County based tw telecom recently won a $1 million contract to provide Internet, voice, and data services at Lackland Air Force Base in San Antonio. Spokespeople say the U.S. Air Force contract covers five years of services.

Financial Services: Electronic payment company First Data Corp. is moving its headquarters from Greenwood Village to Atlanta, where spokespeople say the company has major customers and better options for international travel. Higher-level executives have already relocated, but they say the company's 1,500-worker presence in Denver should not be significantly affected as First Data will maintain some of its local operations. First Data has operated from its Greenwood Village location since the company moved from Atlanta in 2001.

IT/Software: Financial software company Intuit recently opened a Metro Denver customer service office and plans to hire 100 workers. Workers at the office – located south of the Denver Tech Center – will offer technical support to small businesses and other customers.

Employment Outlook

Results from the most recent *Manpower Employment Outlook Survey* suggest a majority of business owners are taking a wait-and-see approach to hiring. More than three-quarters of survey respondents in the Denver-Aurora-Broomfield MSA said they would keep staffing levels unchanged in the third quarter, compared to 55 percent of employers who planned no staffing changes at the same time last year. Respondents from the Boulder MSA were slightly more optimistic, with 64 percent expecting no change in staffing and 18 percent expecting to add jobs in the third quarter. The share of employers planning third quarter layoffs declined slightly in both areas, which suggests that employers – while not yet committed to hiring – are taking a more moderate approach to job cuts. The local survey results were largely similar to the national outlook, which showed 67 percent of employers planning no changes in third quarter staffing, 15 percent planning to hire, and 13 percent planning layoffs.

Employment Outlook Survey

	Quarter 3 2009	Quarter 2 2009	Quarter 3 2008	YTD Avg 2009	YTD Avg 2008	Ann Avg 2004
Denver-Aurora MSA						
Percent of Companies Hiring	9%	10%	32%	11%	27%	24%
Percent of Companies Laying Off	11%	13%	8%	12%	10%	7%
Percent of Companies No Change	77%	73%	55%	73%	49%	62%
Percent of Companies Unsure	3%	4%	5%	3%	15%	8%
Boulder MSA						
Percent of Companies Hiring	18%	14%	20%	17%	18%	N/A
Percent of Companies Laying Off	14%	15%	13%	14%	10%	N/A
Percent of Companies No Change	64%	66%	54%	65%	68%	N/A
Percent of Companies Unsure	4%	5%	13%	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 was 7.8 percent in both June and July. The region's unemployment rate through the first seven months of the year averaged 7.6 percent, or a rate roughly three percentage points higher than the average for the same months in 2008. *Despite the recent increases, Metro Denver's current unemployment rate is roughly two percentage points lower than the comparable nationwide rate.*

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

	Jul 2009 (p) Labor Force	Jul 2009 (p) Unemployment Rate	2009 YTD Avg Labor Force	2009 YTD Avg Unemployment Rate	2008 YTD Avg Labor Force	2008 YTD Avg Unemployment Rate	2004 Ann Avg Unemployment Rate	1999 Ann Avg Unemployment Rate
Metro Denver	1,532.6	7.8%	1,536.2	7.6%	1,543.8	4.6%	5.8%	2.4%
Adams County	226.3	9.0%	226.5	8.8%	225.8	5.2%	6.5%	2.7%
Arapahoe County	311.7	7.8%	311.5	7.5%	313.4	4.6%	5.7%	2.1%
Boulder County	173.7	6.6%	177.1	6.2%	179.1	4.0%	4.9%	2.6%
Broomfield County*	30.7	7.6%	30.6	7.1%	30.8	4.3%	5.8%	
Denver County	323.4	8.6%	323.6	8.5%	323.9	5.1%	6.6%	3.1%
Douglas County	157.6	6.7%	157.5	6.4%	159.3	4.0%	4.7%	1.4%
Jefferson County	309.3	7.5%	309.5	7.3%	311.6	4.5%	5.4%	2.2%
Colorado	2,718.9	7.7%	2,714.2	7.5%	2,721.4	4.7%	5.6%	2.9%
United States	156,255	9.7%	154,475	9.1%	153,937	5.4%	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 between June and July. An average of 2,198 claimants filed for benefits each week in July, compared to an average of 2,469 claimants each week in June. Despite the slower filing pace, claim activity remains elevated from prior years. The average weekly number of Metro Denver claims filed through the first seven months of 2009 was nearly 90 percent higher than the average for the same months in 2008. The Colorado average through July 2009 rose an even higher 97.2 percent above the average from the same months last year.

Weekly First-Time Unemployment Insurance Claims

	Month of Jul-09	Month of Jun-09	Month of Jul-08	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change
Metro Denver	2,198	2,469	1,374	2,586	1,364	89.5%
Colorado	3,944	4,336	2,305	4,780	2,424	97.2%

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

Recent data on consumer credit give mixed reviews of household financial health. Write-downs on credit issuers' unpaid balances have been occurring at a slower rate, and many issuers say growing numbers of cardholders are making on-time payments. While these developments may suggest that the financial health of some households has improved, analysts caution that bank efforts to limit risk are also at play. Because many banks have dropped higher-risk customers, statistics on the remaining credit pool are – to some extent – artificially improved.

While credit issuers move to limit risk, policymakers are aiming to protect borrowers. The first provisions of the Credit Card Accountability, Responsibility, and Disclosure (CARD) Act of 2009 recently took effect. One of the new provisions extends the minimum period between the mailing and due dates of customer bills from 14 days to 21 days. A second provision extends the minimum required notice of an interest rate increase from 15 days to 45 days. Borrowers will also have an opt-out privilege that allows them to cancel a card and pay off its balance at the old rate when card issuers impose a new rate. Additional provisions of the Credit CARD act will take effect next year and will include restrictions on rate hikes and fees.

While consumer-directed protections and stimulus measures are increasingly common, survey data suggest that income concerns may still thwart spending. The Conference Board's U.S. Consumer Confidence Index improved in August as consumers reported better expectations for both the present and future job market. A still-weak outlook for incomes suggests, however, that households may remain hesitant to spend even as the economy recovers. *The Mountain Region Consumer Confidence Index rose in August as respondents' assessments of present conditions and their near-term outlooks improved.*

Consumer Confidence Index

	Month of Aug-09 (p)	Month of Jul-09	Month of Aug-08	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change	Ann Avg 2004
Mountain	57.7	54.2	82.7	49.0	85.7	-42.8%	108.8
United States	54.1	47.4	58.5	42.0	64.0	-34.4%	96.1

Source: The Conference Board. (p) =preliminary

As consumer confidence data suggest, households' willingness and ability to spend remains impaired. Data from the U.S. Department of Commerce show total nationwide retail sales were essentially unchanged between June and July. The over-the-year decline in U.S. retail sales has moderated over the past three months, which suggests consumers are still cutting costs but are doing so at a slower pace.

Data available through May show the decline in Metro Denver retail sales accelerating through early summer. Specifically, retail sales across all industries in Metro Denver were down almost 20 percent over-the-year in

May, and statewide sales were down almost 19 percent. On a year-to-date basis, Metro Denver retail sales have contracted the most in Adams County, the City and County of Denver, and Jefferson County.

Total Retail Sales ($000s)

	Month of May-09	Month of Apr-09	Month of May-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual Growth 2004	Annual Growth 1999
Total Metro Denver	5,957,767	5,803,873	7,442,074	30,295,285	34,885,632	-13.2%	7.4%	7.0%
Adams County	1,101,315	1,003,090	1,427,702	5,106,526	6,252,806	-18.3%	11.7%	10.5%
Arapahoe County	1,173,036	1,183,288	1,449,607	6,099,124	6,905,543	-11.7%	2.6%	10.2%
Boulder County	560,060	536,637	624,409	2,937,202	3,137,832	-6.4%	2.1%	4.1%
Broomfield County	118,384	111,879	132,373	557,051	618,408	-9.9%	49.4%	
Denver County	1,621,539	1,675,818	2,230,454	8,775,981	10,190,826	-13.9%	8.1%	2.2%
Douglas County	465,102	433,603	519,762	2,259,473	2,507,204	-9.9%	16.9%	18.3%
Jefferson County	918,331	859,558	1,057,767	4,559,928	5,273,013	-13.5%	3.8%	7.3%
Colorado	9,891,966	9,590,975	12,189,007	50,913,561	58,738,326	-13.3%	7.8%	7.4%

Source: Colorado Department of Revenue.

The U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) suggests prices through the first half of 2009 fell 0.6 percent from prices in the same months of 2008, largely because energy prices declined between the two periods. When food and energy are excluded, the CPI suggests prices through the first half of 2009 rose 1.8 percent from the same period in 2008.

Locally, consumer prices have followed a similar trend. The Denver-Boulder-Greeley Consumer Price Index for the first half of 2009 fell 0.6 percent below the index for the first half of 2008. Without prices for food and energy, though, the Denver CPI rose 2.2 percent through the first half of 2009. This slightly higher rate of "core" inflation could partly reflect the strength of Metro Denver's economy relative to economies in other more depressed regions.

Overall, inflation data suggest that price pressures are generally absent. Some analysts expect the consumer reprieve will be short-lived, however. The Economic Research Service of the U.S. Department of Agriculture expects grocery prices to rise through the end of this year as the economy recovers. Prices for many food items have followed energy prices with a sharp spike in 2008 and considerable declines in 2009. Researchers say the downside of the cycle is nearly complete, however, and consumers can again expect moderate increases in their grocery bills.

Researchers also expect oil and gasoline prices to rise slowly as the economy improves. In the meantime, motorists are still enjoying gas prices more than $1 below last year's peak. According to the AAA *Daily Fuel Gauge Report*, the national average price per gallon of regular gasoline in late August ($2.61) was roughly eight cents per gallon higher than the July average but more than $1 below the average from August 2008. The Metro Denver average price per gallon in August ($2.48) was more than $1.20 below the year-ago average.

Metro Denver's average hotel occupancy rate followed a typical seasonal trend and increased between June and July. July occupancy was roughly 12 percent below the average from July 2008, however, and average room rates were more than seven percent below the average from the same time last year.

Metro Denver Hotel Statistics

	Month of Jul-09	Month of Jun-09	Month of Jul-08	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change	Annual 2004	Annual 1999
Percent of Hotel Rooms Occupied	72.0%	68.9%	80.4%	59.1%	67.1%	-11.9%	61.9%	67.2%
Average Hotel Room Rate	$104.71	$107.53	$116.77	$106.45	$115.01	-7.4%	$84.42	$87.36

Source: Rocky Mountain Lodging Report.

More than 4.7 million travelers passed through Denver International Airport in June, but the traffic count was 2.5 percent below traffic recorded in June 2008. June was the sixth consecutive month in which traffic fell below the prior year's level.

Denver International Airport Passengers

	Month of Jun-09	Month of May-09	Month of Jun-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual 2004	Annual 1999
Number of Airline Passengers	4,708,808	4,192,174	4,829,829	24,337,554	25,551,220	-4.7%	42,275,913	38,034,017

Source: Denver International Airport, Traffic Statistics.

The stock market continued to rise in August. The Dow Jones Industrial Average and NASDAQ posted year-to-date returns of 8.2 percent and 27.4 percent, respectively, and the year-to-date return on the Bloomberg Colorado index reached an even higher 27.9 percent. While markets have improved, some analysts question whether positive corporate profit developments from the second quarter will continue as companies begin to release their third quarter results.

Stock Market Indexes

	Month of Aug-09	Month of Jul-09	Month of Aug-08	YTD Return 2009	YTD Return 2008	Ann Avg Return 2004
Bloomberg Colorado	282.1	276.9	387.6	27.9%	-13.9%	17.7%
S&P 500	1,020.6	987.5	1,282.8	13.0%	-12.6%	9.0%
NASDAQ	2,009.1	1,978.5	2,367.5	27.4%	-10.7%	8.6%
DJIA (Dow Jones)	9,496.5	9,171.4	11,543.6	8.2%	-13.0%	3.1%

Sources: Bloomberg.com, Yahoo! Finance.

Residential Real Estate

The second quarter edition of the Mortgage Bankers Association National Delinquency Survey suggests U.S. homeowners are still struggling to stay current on their mortgages. According to survey data, the combined nationwide share of loans in foreclosure and loans with at least one payment past due rose to a record 13.2 percent in the second quarter. For many states, unemployment-driven distress in the prime loans category is quickly supplanting subprime loans as the source of heavy foreclosure activity. In Colorado, the combined share of foreclosed and past-due loans (8.7 percent) was more than four percentage points lower than the comparable nationwide share in the second quarter. Florida and Nevada continue to be the states most affected by distressed housing markets, and their combined second quarter foreclosure and delinquency rates reached 22.8 percent and 21.3 percent, respectively.

Even as housing markets begin to improve, some analysts fear negative equity accrued over the past several years will keep many homeowners at risk of foreclosure. A recent report by First American Core Logic suggests that nearly 38 percent of mortgages in the Denver-Aurora-Broomfield MSA had negative equity in the second quarter of 2009. Put another way, the report shows 38 percent of Denver-area mortgage holders owe more on their loans than their properties are worth, and another 45 percent of the region's loans are within five percentage points of a negative equity position. Slightly more than 32 percent of all loans nationwide had negative equity in the second quarter.

While foreclosures and other negative housing trends are keeping most residential development plans on hold, some longer-term projects are entering the planning phase. The Denver Housing Authority recently revealed its master plan for a mixed-income residential development to be located near the light rail stop at West 10th Avenue and Osage Street. Under the plan, low-income housing currently at the site will be replaced with senior housing and other mixed-income units plus an open-air plaza. Housing Authority spokespeople say they hope to obtain stimulus dollars for some of the project's funding, and they note that current residents will have the opportunity to move in as phases of the project are completed.

Home Resales

According to the National Association of Realtors (NAR), a 7.2 percent increase in U.S. existing home sales between June and July was the largest gain reported in records dating back to 1999. Economists with the NAR also noted that the July increase completed a four-month string of consecutive sales gains that has not occurred since 2004. The July gain also boosted home sales above the July 2008 level in the first over-the-year increase since November 2005. Analysts say tax credits and historic affordability levels have tempted large numbers of first-time homebuyers, and repeat buying activity is also accelerating. July sales in each of the four U.S. regions increased from July 2008, with the largest gains in the Midwest (+8 percent), the South (+5.4 percent), and the Northeast (+3.3 percent). July sales in the West increased 1.8 percent over-the-year.

Metro Denver existing home sales increased more than six percent between June and July but remained 13.3 percent below sales from July 2008. The region's average home prices – while still below prior year's levels – are beginning to firm as home sales accelerate. The Metro Denver average condominium price in July ($165,500) was 2.3 percent below the average from July 2008, and the average single-family home price ($276,700) was 2.5 percent below the 2008 level.

Previously-Owned Home Sales Activity

	Month of Jul-09	Month of Jun-09	Month of Jul-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Ann Avg 2004	Ann Avg 1999
Home Sales (Under Contract)	5,286	5,664	5,878	34,316	40,361	-15.0%	66,196	38,248
Home Sales (Closed)	4,440	4,186	5,123	23,803	28,594	-16.8%	54,012	46,742
Unsold Homes on Market	20,890	20,853	25,673	20,890	25,673	-18.6%	23,267	9,350
Average Sales Price-Single Family	$276,654	$283,312	$283,860	$260,092	$278,717	-6.7%	$289,803	$208,274
Average Sales Price-Condo	$165,530	$161,939	$169,474	$157,665	$175,280	-10.0%	$180,986	$122,562
Median Sales Price-Single Family	$229,900	$237,500	$229,200	$215,000	$225,000	-4.4%	$236,240	
Median Sales Price-Condo	$145,500	$139,837	$149,000	$133,000	$140,000	-5.0%	$157,000	

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

Home Prices

Although distressed properties have declined somewhat as a percentage of total home sales over the past several months, their ongoing market influence is still evident in median home price data. According to the NAR, the nationwide median home price in July ($178,400) was more than 15 percent below the median from July 2008, and over-the-year declines in regional median home prices ranged from 5.9 percent in the Midwest to 28 percent in the West.

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

A final set of home price measures – the S&P/Case-Shiller 10-City and 20-City composite home price indices – improved for the second consecutive month in June, and 13 of the 20 metro area indices showed positive monthly returns in excess of one percent. Each of the national composite indices is down more than 15 percent on an annual basis, but annual returns are growing less negative in a move that suggests housing markets have reached bottom. Notably, the Dallas and Denver indices have increased for four consecutive months, and their respective annual declines of 2.2 percent and 3.6 percent ranked first and third smallest among declines in the 20 metro indices.

Foreclosures

A report released by RealtyTrac says foreclosure filings on U.S. properties again set a record in July. The July pace of filings rose 32 percent from filings at the same time last year, and the faster pace meant one in 355 U.S. homes received some sort of filing during the month.

Metro Denver foreclosure filings increased roughly five percent between June and July. Despite moderate increases in foreclosure activity over the past several months, foreclosure filings have declined on a year-to-date basis in each of the seven Metro Denver counties except Boulder County, the City and County of Broomfield, and Douglas County. Foreclosure filings for the entire seven-county region declined 6.4 percent through the first seven months of the year.

Real Estate Foreclosures

	Month of Jul-09	Month of Jun-09	Month of Jul-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual Total 2004
Total Metro Denver*	2,505	2,389	2,095	15,682	16,763	-6.4%	12,252
Adams County	490	523	510	3,453	3,864	-10.6%	2,498
Arapahoe County	590	535	454	3,554	3,967	-10.4%	3,125
Boulder County	145	114	108	788	687	14.7%	524
Broomfield County	34	40	25	212	177	19.8%	134
Denver County	634	536	470	3,787	4,250	-10.9%	3,345
Douglas County	222	274	176	1,509	1,411	6.9%	800
Jefferson County	390	367	352	2,379	2,407	-1.2%	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 increased for the fourth consecutive month in July. The 9.6 percent increase between June and July still left sales 13.4 percent below the sales level from July 2008, but a continued decline in unsold inventory is a positive sign for still-struggling new homes markets. July new home sales increased over the year in the Northeast (+9.8 percent) but remained below last year's levels in the Midwest (-4.7 percent), the West (-14.6 percent), and the South (-18.4 percent).

While new home sales trends are showing slight improvements, new home construction remains largely stalled. A separate Department of Commerce report shows new housing starts declined slightly between June and July, and the July count of starts fell roughly 38 percent below starts from July 2008. Housing starts increased over-the-month only in the Midwest, where the over-the-year decline in housing starts (-25.5 percent) was also the smallest reported for the four U.S. regions. Over-the-year declines in starts for the remaining regions ranged from 31.9 percent in the West to 58.6 percent in the Northeast.

While homebuilding activity remains sluggish, an August increase in the National Association of Homebuilders/Wells Fargo Housing Market Index suggests builder confidence is stabilizing. The index remains considerably below the growth-neutral point of 50, but builders' sales expectations are improving as they anticipate more buyers driven by tax credits and a gradually improving economy.

Metro Denver residential permit activity increased slightly between May and June as builders began more detached and attached single-family projects. Builders pulled no permits for apartment projects in June, and total apartment permits pulled through the first six months of the year fell more than 84 percent below the total pulled in the first half of 2008. *Permits pulled through June for all types of residential buildings fell 68 percent from the number pulled in the first six months of last year.*

Residential Building Permits

	Month of Jun-09	Month of May-09	Month of Jun-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Total 2004	Total 1999
Single-Family Detached Units	220	196	408	1,023	2,195	-53.4%	14,260	17,523
Single-Family Attached Units	91	51	85	341	950	-64.1%	4,843	2,883
Multi-Family Units	0	0	524	342	2,192	-84.4%	2,681	4,784
Total Units	311	247	1,017	1,706	5,337	-68.0%	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

The U.S. Department of Veterans Affairs Hospital recently broke ground at Fitzsimons in Aurora. The groundbreaking comes after disagreements over the hospital's structure, with some government officials supporting a lower-cost leasing arrangement for part of the hospital's space and others supporting a more expensive, stand-alone model. Officials have decided to proceed with the stand-alone facility, and they say the $1.1 billion hospital will open in 2013.

Many other commercial construction projects – particularly non-public projects – are still mired by financing problems. A recent Federal Reserve survey of loan officers suggests fewer banks are still tightening standards for commercial and industrial loans, but a majority of survey respondents do not expect normal lending conditions to emerge before the second half of 2010. In the meantime, commercial borrowers will likely face further challenges. The owner of the luxury condominium development the Landmark, for example, recently filed for bankruptcy protection after failed negotiations with the property's construction lender. Spokespeople say retail space at the Landmark development will not be affected by the filing.

Because credit markets – particularly those for commercial real estate – remain constrained, the Federal Reserve also announced an extension for its Term Asset-Backed Securities Loan Facility (TALF). The TALF was designed to thaw markets for consumer loans, student loans, and commercial mortgages by providing cash for investors willing to purchase relevant asset-backed securities.

As funding problems continue, market fundamentals for commercial real estate remain weak. *According to CoStar Realty Information, Inc., the Metro Denver direct office market vacancy rate for the second quarter of*

2009 was unchanged from the first quarter at 13.6 percent. Average second quarter lease rates were also flat over-the-quarter at $21.04 per square foot, and office market construction activity rose slightly from the first quarter. Compared to construction volume in the second quarter of 2008, however, the second quarter 2009 volume was down more than 45 percent. The largest office properties completed so far this year are at 1515 Wynkoop in Denver and at Village Center Station in Greenwood Village.

Office Market Statistics

	Quarter 2 2009	Quarter 1 2009	Quarter 2 2008	Quarter 2 2007	Quarter 2 2006	Quarter 2 2005
Number of Buildings	5,208	5,176	5,132	5,060	5,014	4,954
Existing Square Feet (millions)	161.3	160.7	158.6	157.3	155.4	154.1
Vacant Square Feet (direct, millions)	22.0	21.8	18.9	19.0	19.9	21.9
Vacancy Rate (direct)	13.6%	13.6%	11.9%	12.1%	12.8%	14.2%
Vacancy Rate (with sublet)	14.8%	14.8%	12.8%	12.8%	13.9%	15.6%
Avg. Lease Rate (direct, per sq. ft, full service)	$21.04	$21.03	$21.62	$20.20	$17.92	$16.93
New Construction Completed (year-to-date)	0.69 MSF, 15 Bldgs	0.40 MSF, 9 Bldgs	0.57 MSF, 24 Bldgs	0.79 MSF, 19 Bldgs	0.40 MSF, 21 Bldgs	0.30 MSF, 20 Bldgs
Currently Under Construction	1.93 MSF, 13 Bldgs	1.85 MSF, 24 Bldgs	3.54 MSF, 51 Bldgs	2.15 MSF, 88 Bldgs	1.56 MSF, 40 Bldgs	0.86 MSF, 31 Bldgs

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

According to data from CoStar Realty Information, Inc., Metro Denver's direct industrial market vacancy rate rose in the second quarter of 2009 to 7.2 percent. Average industrial market lease rates declined slightly to $5 per square foot in the second quarter, and industrial construction halted. The Denver Business Center on East 55th Avenue is the largest Metro Denver industrial property completed so far this year.

Trends in Metro Denver's flex market were flat between the first and second quarters of 2009, according to data from CoStar Realty Information, Inc. The region's direct flex market vacancy rate was unchanged between the first and second quarter at 14.5 percent, and average lease rates declined slightly to $9.52 per square foot. Second quarter flex market construction volume was roughly 42 percent of the volume in progress at the same time last year, and newly completed construction represented roughly 27 percent of last year's volume. So far this year, flex projects have been completed only in Adams, Boulder, and Jefferson Counties.

Industrial Market Statistics

	Quarter 2 2009	Quarter 1 2009	Quarter 2 2008	Quarter 2 2007	Quarter 2 2006	Quarter 2 2005
Number of Buildings	6,581	6,564	6,541	6,492	6,443	6,396
Existing Square Feet (millions)	212.6	212.4	210.8	208.4	206.2	203.9
Vacant Square Feet (direct, millions)	15.3	15.2	13.7	13.0	15.4	15.8
Vacancy Rate (direct)	7.2%	7.1%	6.5%	6.3%	7.5%	7.8%
Vacancy Rate (with sublet)	7.4%	7.5%	6.9%	6.4%	7.8%	8.3%
Avg. Lease Rate (direct, per square foot, NNN)	$5.00	$5.11	$5.18	$4.97	$4.86	$4.64
New Construction Completed (year-to-date)	0.19 MSF, 4 Bldgs	0.11 MSF, 2 Bldgs	0.32 MSF, 12 Bldgs	0.65 MSF, 8 Bldgs	1.08 MSF, 14 Bldgs	0.27 MSF, 13 Bldgs
Currently Under Construction	0 MSF, 0 Bldgs	0.06 MSF, 1 Bldg	1.16 MSF, 20 Bldgs	1.87 MSF, 22 Bldgs	1.35 MSF, 14 Bldgs	0.73 MSF, 18 Bldgs

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

Flex Space Statistics

	Quarter 2 2009	Quarter 1 2009	Quarter 2 2008	Quarter 2 2007	Quarter 2 2006	Quarter 2 2005
Number of Buildings	1,338	1,335	1,315	1,294	1,277	1,250
Existing Square Feet (millions)	37.7	37.6	36.9	36.3	35.9	35.4
Vacant Square Feet (direct, millions)	5.5	5.4	4.7	4.3	4.6	5.0
Vacancy Rate (direct)	14.5%	14.5%	12.8%	11.9%	12.9%	14.1%
Vacancy Rate (with sublet)	15.2%	15.1%	13.4%	12.5%	13.5%	15.4%
Avg. Lease Rate (direct, per square foot, NNN)	$9.52	$9.58	$9.89	$9.04	$8.49	$8.19
New Construction Completed (year-to-date)	0.10 MSF, 5 Bldgs	0.06 MSF, 3 Bldgs	0.37 MSF, 8 Bldgs	0.14 MSF, 5 Bldgs	0.29 MSF, 8 Bldgs	0.10 MSF, 5 Bldgs
Currently Under Construction	0.20 MSF, 4 Bldgs	0.22 MSF, 5 Bldgs	0.48 MSF, 19 Bldgs	0.14 MSF, 7 Bldgs	0.23 MSF, 9 Bldgs	0.22 MSF, 11 Bldgs

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

Vacancy and lease rates in Metro Denver's retail market weakened further in the second quarter of 2009, according to data from CoStar Realty Information, Inc. The direct retail vacancy rate rose in the second quarter to 9.2 percent, or a rate roughly one-percentage point above the year-ago level. Average lease rates fell to $17.05 per square foot in the second quarter from $17.11 per square foot in the first quarter and are now down $0.88 per square foot from the year-ago level. As is the case with other property types, construction in the retail market has slowed considerably. Specifically, retail construction volume in the second quarter was roughly 20 percent of the volume in progress in the second quarter of 2008. The largest retail projects completed so far this year include space at the River Point development in Sheridan and portions of the Streets of Southglenn development in Centennial.

Retail Market Statistics

	Quarter 2 2009	Quarter 1 2009	Quarter 2 2008	Quarter 2 2007	Quarter 2 2006	Quarter 2 2005
Number of Buildings	7,404	7,325	7,224	7,126	7,007	6,849
Existing Square Feet (millions)	148.1	146.6	144.0	140.5	137.1	132.2
Vacant Square Feet (direct, millions)	13.6	13.2	11.5	10.3	10.5	8.1
Vacancy Rate (direct)	9.2%	9.0%	8.0%	7.3%	7.7%	6.2%
Vacancy Rate (with sublet)	9.6%	9.5%	8.3%	7.6%	7.9%	6.5%
Avg. Lease Rate (direct, per square foot, NNN)	$17.05	$17.11	$17.93	$17.29	$16.45	$16.19
New Construction Completed (year-to-date)	1.05 MSF, 37 Bldgs	0.68 MSF, 27 Bldgs	1.56 MSF, 33 Bldgs	0.67 MSF, 16 Bldgs	N/A	N/A
Currently Under Construction	0.62 MSF, 24 Bldgs	0.33 MSF, 15 Bldgs	3.15 MSF, 58 Bldgs	5.90 MSF, 71 Bldgs	N/A	N/A

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

Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	⇓	⇓	Employment decreased by 9,400 jobs Jun to Jul; YTD emp. down 3.7% through Jul 2009.
% Companies Hiring (Denver Area)	⇓	⇓	9% of companies expect to add workers in Q3 2009 and 77% expect no change.
Unemployment Rate	⇐⇒	⇑	Metro rate 7.8% in Jul; YTD avg. rate of 7.6% up from 4.6% in 2008.
Initial Unemployment Insurance Claims	⇓	⇑	Claims decreased Jun to Jul; YTD claims up 89.5% through Jul 2009.
Total Retail Sales	⇑	⇓	Metro retail sales increased Apr to May; total sales down 13.2% YTD through May 2009.
Consumer Confidence Index	⇑	⇓	Mountain Region up to 57.7 in Aug from 54.2 in Jul; index down 42.8% YTD through Aug 2009.
Hotel Occupancy	⇑	⇓	Hotel occupancy increased from 68.9% in Jun to 72% in Jul; occupancy down 11.9% YTD.
DIA Passengers	⇑	⇓	Traffic increased May to Jun; traffic down 4.7% YTD through Jun 2009.
Bloomberg Colorado Index	⇑	⇑	Bloomberg Colorado Index up 1.9% from Jul to Aug; year-to-date return at 27.9%.
Dow Jones Industrial Average	⇑	⇑	DOW increased 3.5% Jul to Aug; year-to-date return at 8.2%.
Home Sales (closed)	⇑	⇓	Home sales increased 6.1% Jun to Jul; YTD sales down 16.8% through Jul.
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 increased 4.9% Jun to Jul; YTD down 6.4% through Jul 2009.
Residential Building Permits (Total)	⇑	⇓	Total permits increased between May and Jun; YTD down 68% through Jun 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 rate steady at 14.8% in Q1, Q2 2009; avg lease rate up to $21.04/sq.ft.
Industrial Vacancy Rate (with Sublet)	⇓	⇑	Vacancy rate decreased from 7.5% in Q1 to 7.4% in Q2; avg lease rate down to $5.00/sq. ft. (NNN)
Retail Space Vacancy Rate (with Sublet)	⇑	⇑	Vacancy rate up from 9.5% in Q1 to 9.6% in Q2; avg. lease rate down to $17.05/sq. ft. (NNN)
Positive Changes	**11 of 18**	**3 of 18**	

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