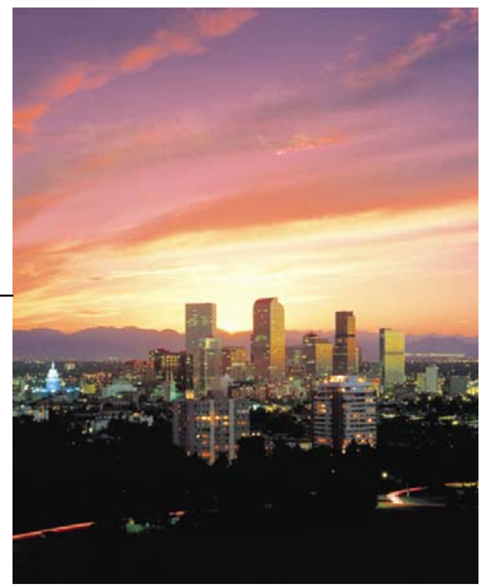
Monthly Economic Summary

A Monthly Summary of Economic Conditions in Metro Denver

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



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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 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

- Three Metro Denver hospitals recently received an Outstanding Patient Experience Award from medical ratings company Health Grades Inc. Health Grades selected winning hospitals based on its analysis of a patient survey administered to 3,775 hospitals nationwide. The three Metro Denver winners – Avista Adventist Hospital in Louisville, Exempla Good Samaritan Medical Center in Lafayette, and Longmont United Hospital – scored in the top ten percent on the survey, which addressed hospital staff communication and responsiveness, hospital cleanliness, and other factors.
- Health Grades also honored two Metro Denver hospitals among 255 facilities nationwide with the 2010 Emergency Medicine Excellence Award. Winning hospitals – which included Rose Medical Center in Denver and Medical Center of Aurora – scored among the top five percent of hospitals for lowest mortality rates from heart attack, stroke, respiratory failure, and other emergency health conditions.
- The 2010 edition of *F as in Fat* – a report released annually by the Trust for America's Health and the Robert Wood Johnson Foundation – shows Colorado has the nation's lowest adult obesity rate (19.1 percent). Colorado is also the only state with an obesity rate below 20 percent, although data in the report suggest the state's obesity rate is on the rise.
- The top 20 percent of schools recognized on *Newsweek*'s 2010 list of "America's Best High Schools" include six in Metro Denver. To develop the list, *Newsweek* ranked more than 1,600 U.S. schools that administer a high number of advanced placement and other college-level tests and courses. Metro Denver honorees in the top 20 percent were Peak to Peak Charter School in Lafayette (35th), Niwot High School (180th), Fairview High School in Boulder (201st), Lakewood High School (229th), Boulder High School (319th), and Cherry Creek High School in Greenwood Village (322nd).
- *Forbes* recently ranked Metro Denver eighth among "America's Best Cities for Young Professionals." The ranking of the nation's large metropolitan statistical areas (MSAs) considered each area's unemployment rate, cost of living, and average salary for college graduates. Contributors also considered each area's concentration of large public companies and number of graduates from a handful of elite universities.
- Results from *Executive Travel* magazine's eighth annual "Leading Edge Awards" survey show Denver International Airport (DIA) continues to be the nation's favorite airport. This year and in the prior two annual surveys, DIA won the top honor in the "Best Domestic Airport" category.
- *Bloomberg Businessweek* recently ranked Metro Denver first among 10 of the nation's "most improved" housing markets. The rankings of the 50 largest MSAs reflect first quarter home price data from CoreLogic and measures of foreclosures and delinquent mortgages, total home sales, and unemployment.
- Metro Denver ranks 12th among 51 large MSAs for residents' volunteerism, according to the Corporation for National and Community Service. The corporation's data show 30.2 percent of Metro Denver residents volunteered between 2007 and 2009, and the volunteers averaged 40.4 hours of service per year. The Metro Denver volunteerism rate exceeded the national average (26.5 percent) but was slightly lower than the Colorado rate (32.4 percent), which ranked 16th highest among rates for the 50 states.

- Two Metro Denver companies – Golden-based BioVantage and Longmont-based PCM Innovations – are among three Colorado finalists in the Rocky Mountain regional division of the annual Cleantech Open. Founded in 2006, the CleanTech Open is a nationwide business competition through which entrepreneurs can win funding and mentoring for their cleantech innovations. Two further rounds of competition await the three Colorado companies, which have designed an algae-based wastewater treatment system, a clean engine, and an energy conservation technology.
- Business news web site Portfolio.com recently ranked Boulder first among the nation's top 10 mid-sized markets for business. Criteria for the ranking included cost of living, housing availability and affordability, employment in professional and management positions, and overall economic health. Contributors gave Boulder particular recognition for its educated workforce and concentration of high-tech companies.

Policy Watch

- President Obama recently enacted a measure that extends the closing deadline for homebuyers hoping to receive a tax credit. The three-month closing extension applies only to buyers who had contracts in place by the original April 30 deadline and moves the June 30 closing deadline to September 30. The measure is meant to help buyers – particularly those purchasing via short sale – who made a good-faith effort to meet tax credit deadlines but are now struggling to move transactions forward.
- Mortgage giant Fannie Mae recently introduced a policy designed to thwart homeowners who "strategically" default. Mortgage experts say a large number of borrowers who can pay their obligations are intentionally abandoning loans that far exceed home values, and the trend is further burdening the housing market. Under the new policy, borrowers who strategically default will be ineligible to receive another Fannie Mae-backed mortgage loan for a seven-year period.
- The U.S. Congress is finalizing a sweeping new set of financial regulations that could change the way banks, consumers, and businesses interact. The rules would establish a Consumer Financial Protection Bureau with oversight and enforcement powers and would force lenders to verify borrowers' income before issuing mortgages. The new rules would also reduce fees assessed on retailers who accept debit cards and would establish other rules for consumer lending and financial derivatives.
- Colorado Governor Bill Ritter signed several pieces of business-focused legislation in early June. Senate Bill 28 established a work-share program that allows employers to cut employee hours rather than lay off workers. Affected workers, in turn, can claim unemployment insurance benefits for their lost work time. Other new laws include one that allows workers to establish tax-favored savings accounts for job training expenses and one that gives public universities and colleges more latitude for setting tuition rates.
- Colorado's budget situation – which had stabilized for the fiscal year ended June 30 – again appears tenuous. Legislative economists say the budget gap for the current fiscal year (2010-11) could be as much as $72 million, although lawmakers hope to spare public schools and higher education from additional budget cuts. The cuts may be unavoidable, however, if the U.S. Congress fails to approve an expanded federal match for Medicaid. Discussion over the Medicaid match is ongoing, and Colorado Governor Bill Ritter is expected to present a budget-balancing proposal in August.

  While the current year's budget presents challenges, the budget for next fiscal year (2011-12) looks significantly worse. Legislative economists say the state could face a budget shortfall between $500 million and $1 billion as stimulus funds and other one-time revenue sources expire.
- Two key ballot measures for Colorado's 2012 election have already been filed. The measures would shift Colorado's income tax system from a flat rate scheme to one with at least five brackets. They would also

eliminate the state's business personal property tax and reduce the state's sales tax rate, although sales taxes under the new laws would apply to services as well as goods.

In the meantime, businesses, school districts, and other interest groups remain concerned about several tax initiatives that will appear on the November 2010 ballot. Amendments 60 and 61 and Proposition 101 – a set of measures supporters say constitute sound fiscal policy – would dramatically reduce property taxes, vehicle registration fees, income taxes, and government borrowing. Opponents say the measures would have a crippling effect on government service provision and would leave school buildings, roads, and other critical infrastructure unmaintained. Major infrastructure projects including FasTracks would also be at risk under the new fiscal restrictions.

General Economic Overview

Data from the U.S. Department of Commerce show U.S. imports and exports both declined between March and April, but exports fell by a slightly higher margin. As a result, the nation's trade deficit widened. The European debt crisis and the stronger U.S. dollar are likely contributing to downward pressure on exports.

The trade data generally point to a sluggish U.S. economy, as do recent estimates of gross domestic product (GDP). The U.S. Bureau of Economic Analysis recently released a second downward revision to its estimate of first quarter growth in GDP. With the revision, the final estimate of first quarter GDP growth is 2.7 percent, down from three percent in the second estimate and 3.2 percent in the first estimate. Factors behind the latest downward revision were slower-than-expected household spending and higher-than-expected imports, which effectively subtract from the value produced by the U.S. economy. While the nation's economy is still growing, many fear the pace of growth will continue to slow as difficult labor markets and credit conditions challenge households and businesses. The BEA will release a preliminary estimate of second quarter GDP growth on July 30.

Like the most recent reading on GDP, the Federal Reserve Open Market Committee's mid-June assessment of economic conditions reflected a shaky recovery. The committee noted that high unemployment continues to constrain household spending, new home construction has weakened with the expiration of tax credits, and global financial markets are far from healthy. The Federal Reserve expects the nation's economic recovery will continue despite these challenges, although the pace of growth could be more "moderate" than many initially expected. The Open Market Committee voted to leave its target federal funds rate in the range of zero to 0.25 percent and will reconsider economic trends and interest rates when it convenes in August.

Like many national and international economic reports, the Federal Reserve's most recent *Beige Book* report for the Tenth District – which includes Colorado – gives a mixed assessment of current conditions. Consumer spending, manufacturing activity, and housing markets have strengthened throughout the Tenth District, although still-weak commercial real estate markets and the potential for a post-tax credit slump in housing remain as risks.

Other regional economic reports also describe mixed conditions. The Brookings Institution's latest quarterly *Mountain Monitor* report – which tracks output, jobs, and residential real estate in Colorado and six other western states – suggests the Mountain Region economy is beginning to recover but in many ways lags other regional economies. Sharper-than-average job losses have placed Mountain Region labor markets under considerable strain, and many of the region's housing markets – particularly markets like Phoenix and Las Vegas – are in far worse condition than markets nationwide. Despite these challenges, Metro Denver and many other Mountain Region metros have reported faster-than-average growth in output.

A final regional report – the University of Colorado at Boulder Leeds School of Business' midyear *Colorado Business Review* – also notes that the regional recovery is lagging the nationwide trend. Economists that contributed to the report expect Colorado job losses reported so far this year will outweigh gains expected in the remaining two quarters. As a result, employment data could show Colorado lost jobs – on net – in 2010.

Contributing economists say the education and health services and professional and business services sectors will be among the first to report consistent job growth in Colorado.

Economic Indexes

National Economy

- The Conference Board's Leading Economic Index for the U.S. rose 0.4 percent between April and May. Revised prior-month data show the index was flat in April, and Conference Board economists say the recent trends suggest U.S. economic growth will continue at a slow pace.
- The Institute for Supply Management's Purchasing Managers Index (PMI) fell from 60.4 in April to 59.7 in May, but the index's position above the growth neutral point of 50 suggests the manufacturing recovery continues. Respondents to the PMI survey say they continue to process new orders, and heavy demand has resulted in supply shortages for some manufacturing sectors.
- The Institute for Supply Management's Non-Manufacturing Index registered 55.4 in May and in the prior two months. The readings suggest the nation's service sector is expanding at a steady pace, and survey respondents expressed a cautiously optimistic outlook for consumer spending.

Local Economy

- The University of Colorado's Leeds Business Confidence Index for the second quarter rose above the growth neutral level of 50 in a move that suggests local business outlooks are improving. The index had remained below the neutral point since the third quarter of 2007, but increasing business optimism about sales and profits helped move the second quarter confidence index to 51.7 from 49.7 in the prior quarter. Local businesses remain pessimistic, however, about near-term hiring and capital investment. Colorado business leaders also expressed a downbeat outlook for the national economy in the second quarter and voiced concerns over high unemployment and the rising national debt.
- The Vectra Bank Colorado Small Business Index rose to 96.5 in May from 93.1 in April. Vectra Bank economists say this eighth consecutive monthly increase shows Colorado's economy strengthening, although the state's labor market remains under stress. Economists also warn that increasingly unstable European economies and their impact on financial markets and currencies could affect Colorado small businesses in the coming months.
- The Goss Institute's Business Conditions Index for Colorado rose from 56.8 in May to 68.4 in June. The index – which reflects business conditions for manufacturers in Colorado – suggests the state's goods-producing sector is recovering, but economists who conduct the index survey say Colorado's labor market is still in poor condition.

Labor Force and Employment

Metro Denver employers added a higher number of jobs in May (12,800) than is typical for the month. While a positive development in general, the gain does not necessarily reflect a healthier private sector. Federal government jobs – many of which are temporary 2010 Census positions – accounted for almost one in three of the new positions added in May. Employers in leisure and hospitality added slightly fewer jobs in May than is typical for this time of year, and employers in information and manufacturing continued to cut jobs.

On an over-the-year basis, total Metro Denver employment across all industries in May was down two percent from the year-ago level. Total Colorado employment was 2.1 percent lower in May than in May 2009, and nationwide employment was down a considerably smaller 0.4 percent over-the-year in May.

Metro Denver Industry Cluster Headlines

Aerospace: The recently resurrected Constellation space program is again under threat from federal budget cuts. NASA recently informed contractors that spending on the program – which has been scaled back to include only the Orion crew capsule – must be immediately reduced to comply with federal spending regulations. Jefferson County-based Lockheed Martin Space Systems and other project contractors have also been told that they must bear the costs of ending Constellation. As a result, Lockheed spokespeople say the company will take roughly 300 jobs away from the Orion project and will release an equal number of subcontractors. While some of the 300 Lockheed positions will be redirected, spokespeople say some job losses are inevitable. They did not say whether jobs would be lost at Lockheed locations in Metro Denver and did not specify how a recent extension of NASA funding for Orion – funding that some estimate would carry the project through September – would affect the company's plans.

Aviation/Cleantech: Spokespeople for Bye Energy Inc. say the company has relocated its headquarters from Greenwood Village to Arapahoe County's Centennial Airport. They say the new space should help further work on the company's Green Flight Project, under which engineers hope to create an electric motor for small aircraft. Bye Energy also added five employees at the new location.

Nonfarm Wage & Salary Employment

(000s, not seasonally adjusted)

	Month of May-10 (p)	Month of Apr-10	Month of May-09	Year-to-Date Average 2010	Year-to-Date Average 2009	Year-to-Date Average % Change	Annual Growth Rate 2005	Annual Growth Rate 2000
Total 11-County Metro Denver*	1,340.7	1,327.9	1,367.4	1,322.6	1,362.4	-2.9%	1.9%	4.3%
Denver-Aurora MSA	1,181.3	1,169.3	1,206.2	1,164.7	1,201.4	-3.1%	2.0%	4.0%
Boulder-Longmont MSA	159.4	158.6	161.2	157.9	161.0	-1.9%	1.7%	6.2%
Natural Resources & Construction	72.5	71.7	81.7	71.6	82.9	-13.6%	4.8%	10.7%
Manufacturing	73.8	74.0	78.5	74.6	80.0	-6.8%	0.6%	-1.0%
Wholesale & Retail Trade	198.5	196.9	202.7	196.9	203.9	-3.4%	2.3%	3.5%
Transp., Warehousing & Utilities	45.4	45.2	49.2	45.8	49.3	-7.1%	-0.5%	8.3%
Information	52.9	53.2	55.2	53.3	55.9	-4.7%	-5.8%	9.6%
Financial Activities	98.4	98.4	100.1	98.6	100.5	-1.9%	1.5%	0.3%
Professional & Business Services	223.8	222.0	231.3	220.5	231.9	-4.9%	3.8%	7.0%
Education & Health Services	159.8	159.4	157.6	158.8	156.8	1.3%	3.2%	2.9%
Leisure & Hospitality	144.5	141.6	145.0	138.7	139.5	-0.5%	3.0%	4.5%
Other Services	53.0	52.7	52.9	52.8	52.7	0.2%	0.5%	1.0%
Government	218.1	212.8	213.2	211.0	208.9	1.0%	0.7%	2.4%
Federal Gov't	35.7	31.6	30.5	31.8	30.4	4.5%	-1.4%	-0.5%
State & Local Gov't	182.4	181.2	182.7	179.2	178.5	0.4%	1.1%	3.1%
Colorado	2,202.7	2,190.8	2,249.4	2,186.9	2,257.5	-3.1%	2.1%	3.8%
United States	131,198	130,108	131,689	129,193	131,424	-1.7%	1.7%	2.2%

**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

Broadcasting & Telecommunications: Atlanta-based telecommunications company Cbeyond Inc. plans to open a Denver call center that could employ roughly 200 workers. The company hosted an event in June to help recruit for positions at the facility, which will be located in the Denver Tech Center.

A second member of Metro Denver's telecommunications cluster, Louisville-based Zayo Bandwidth, recently announced a key project backed by stimulus grants. Zayo will use $13.4 million in federal stimulus funds to extend high-speed Internet service to businesses, government, and other community institutions in Anoka County, Minnesota.

Cleantech: A report recently released by Headwater Economics, a Montana-based nonprofit research group, says the number of cleantech jobs in Colorado increased 30 percent between 1995 and 2007. The report tracks jobs related to the environment and renewable energy and noted that Colorado companies have been generally successful in attracting "green" venture capital and federal funding.

The state's ability to attract funding is evident in its many federal labs and research programs. One such effort, the National Science Foundation Industry and University Cooperative Research Program, is beginning operations at Colorado State University. The co-founder of Abound Solar Inc. will direct the $2.5 million research center, which will work to develop more efficient and commercially viable solar energy technologies.

Metro Denver's cutting-edge academic community will soon have a new member. The Education Corporation of America recently opened the Ecotech Institute, a cleantech-focused college in Denver. The school – which is temporarily housed in an Aurora office building – will offer certificates and associate's degrees for a variety of careers and will ultimately serve as many as 1,200 students. The Education Corporation of America is working to renovate a permanent Denver campus that could open next year, and company officials say they plan to expand their cleantech college concept nationwide once the Denver campus is completed.

As cleantech research and training efforts expand, Metro Denver's private-sector companies are also building the region's reputation as a cleantech hub. Spokespeople for Vestas Wind Systems say a turbine order from a Canadian power company will bring work to Vestas plants in Windsor, Brighton, and Pueblo. The company – Alberta-based Capital Power Corp. – has also placed option orders for additional turbines that could be manufactured if a series of proposed wind farm projects receives regulatory approval. Separately, Vestas officials announced plans to locate a research and development center in Louisville. Spokespeople say the new center – which will focus on improving wind turbine efficiency and economy – could initially employ between 75 and 125 workers. The center's employment could approach 240 within three years.

Spokespeople for Broomfield-based Renewable Energy Systems Americas Inc. (RES Americas) also announced major developments in June. Officials say the company has finalized a deal with a Canadian power company that will pay $500 million for ownership of RES Americas' Cedar Point wind project. The project – to be located in Lincoln and Elbert counties – will break ground soon and could be completed late next year. Once completed, the wind farm will be the second largest in Colorado and could draw a profit for the new Canadian investor – Enbridge Inc. – by 2012.

Longmont-based Abound Solar Inc., a thin-film solar panel manufacturer, also announced a major financing opportunity. The company will receive a $400 million, stimulus-funded loan guarantee that will finance a new plant in Indiana and an expansion at the company's existing Longmont facility. Abound spokespeople say the company will add roughly 1,200 new jobs at the Indiana plant and 300 jobs in Colorado. Denver-based Abengoa Solar Inc. also received a loan guarantee that will help the company develop a solar power plant in Arizona.

IT Hardware/Software: Taptu Ltd., a British company that designs search engines for touch-screen mobile devices, is establishing its U.S. presence in Denver. Spokespeople say the company will open its first U.S. office in the Denver Tech Center, and they say Metro Denver's central location and established technology cluster were key factors in their location decision.

Other members of the region's technology cluster are also on the move. Boulder-based Webroot Software, Inc. is reportedly planning to relocate its headquarters to Broomfield. The company – which could receive Broomfield tax credits – will also relocate 200 employees.

Other Employment Headlines

- Spokespeople for engine and power generation equipment company Cummins Rocky Mountain LLC say the company will locate a diesel engine remanufacturing facility in Commerce City. The new plant comes as Cummins consolidates some of its regional manufacturing operations, and spokespeople say the company will fill more than 70 jobs for the new plant locally. Employment at the plant could grow by an additional 40 to 70 jobs over the next five years.
- Catholic Health Initiatives – the administrator for Metro Denver's St. Anthony hospitals and several other facilities around the state – will hire at least 200 information technology workers as the organization implements an electronic system for medical records, physician orders, and medications. Spokespeople say the nonprofit will hire for application developers, database administrators, and other similar positions in the coming months.
- Not all healthcare headlines have been positive. Spokespeople for Exempla healthcare say the company recently laid off 100 workers, and many of the layoffs occurred at Saint Joseph Hospital in Denver. They blamed lower patient counts and shrinking federal Medicaid reimbursements for the layoffs.
- Spokespeople for Broomfield-based Ball Corp. say the company has sold its plastic packaging division to Australian packaging producer Amcor Ltd. Ball manufacturing plants in Iowa, Ohio, Illinois, California, and New Jersey are included in the deal, as are research and development divisions located in Broomfield and Westminster. The deal does not affect Ball's metal packaging or aerospace divisions.
- Another change in the packaging industry will shift employment in Golden. Spokespeople for beverage packaging manufacturer Graphic Packaging International Inc. – which started under the Coors Brewing Company – say the business will close its Golden plant. Spokespeople say 150 jobs will be affected, although job transfers to the company's other U.S. locations are possible.
- Spokespeople for Philadelphia-based corporate staffing and training company The Judge Group, Inc. say the company has opened a Metro Denver office for its technical staffing division. The office will assist companies with staffing for engineering, accounting, and other technical positions, and the office itself will be hiring account managers and recruiters.
- The City of Westminster – like many cities in Metro Denver – is facing budget challenges that will force cuts in staff and programming. City spokespeople say a 69-position job cut deemed necessary to save costs could mostly occur by attrition, although 17 workers could lose their jobs. The city also plans to end several city-sponsored family activities and will shorten operating hours for recreation centers and libraries.

Employment Outlook

Results from the Manpower Employment Outlook Survey suggest 19 percent of employers in the Denver-Aurora-Broomfield MSA plan to add jobs in the third quarter. The third quarter hiring percentage is the largest reported for the Denver area since the fourth quarter of 2008 and is slightly higher than the percentage planning to hire nationwide (18 percent). While better hiring expectations should give Metro Denver labor markets a much-needed boost, the large share (68 percent) of local employers planning no staffing changes over the next three months suggests many businesses will remain on the sidelines.

A separate hiring expectations survey by financial staffing firm Robert Half International suggests six percent of CFOs nationwide will add accounting and other finance jobs in the third quarter. Nine percent of CFOs, however, reported intentions to cut jobs during the quarter. The outlook for financial positions was somewhat more positive in the mountain states region, where 11 percent of CFOs reported intentions to hire and nine percent said they would cut jobs. Robert Half conducts its financial staffing survey quarterly and includes Colorado, Arizona, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming in the mountain states region.

Employment Outlook Survey

	Quarter 3 2010	Quarter 2 2010	Quarter 3 2009	YTD Avg 2010	YTD Avg 2009	Ann Avg 2005
Denver-Aurora MSA						
Percent of Companies Hiring	19%	13%	9%	13%	11%	29%
Percent of Companies Laying Off	8%	9%	11%	9%	12%	7%
Percent of Companies No Change	68%	74%	77%	72%	73%	61%
Percent of Companies Unsure	5%	4%	3%	5%	3%	3%
Boulder MSA						
Percent of Companies Hiring	N/A	10%	18%	13%	17%	29%
Percent of Companies Laying Off	N/A	8%	14%	10%	14%	8%
Percent of Companies No Change	N/A	73%	64%	72%	65%	58%
Percent of Companies Unsure	N/A	9%	4%	7%	4%	6%

Note: Third quarter 2010 data for the Boulder MSA were not available at the time of publication.
Source: Manpower Inc.

Metro Denver's unemployment rate declined from 7.6 percent in April to 7.5 percent in May. May unemployment rates declined from April levels in each of the seven Metro Denver counties except the City and County of Broomfield, where the unemployment rate was unchanged over-the-month. The statewide unemployment rate fell to 7.7 percent in May from 7.8 percent in April, and the nationwide rate declined to 9.3 percent from 9.5 percent.

Seasonally adjusted unemployment data – which are only available at the state and national level – suggest unemployment in Colorado and the rest of the nation is generally holding steady.

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

	May 2010 (p)		2010 YTD Avg		2009 YTD Avg		2005	2000
	Labor Force	Unemploy-ment Rate	Labor Force	Unemploy-ment Rate	Labor Force	Unemploy-ment Rate	Ann Avg Unemploy-ment Rate	Ann Avg Unemploy-ment Rate
Metro Denver	1,500.5	7.5%	1,496.7	7.9%	1,535.6	7.9%	5.2%	2.6%
Adams County	222.0	8.8%	221.8	9.5%	227.1	9.1%	5.8%	2.8%
Arapahoe County	304.8	7.6%	303.5	7.9%	311.5	7.8%	5.2%	2.4%
Boulder County	172.4	5.8%	172.3	6.3%	175.8	6.5%	4.5%	2.4%
Broomfield County	29.9	6.8%	29.8	7.2%	30.7	7.3%	4.9%	2.4%
Denver County	316.0	8.3%	315.5	8.8%	323.9	8.8%	5.8%	3.0%
Douglas County	155.6	6.1%	154.9	6.4%	159.7	6.7%	4.2%	2.1%
Jefferson County	299.9	7.3%	298.9	7.7%	306.9	7.6%	5.0%	2.4%
Colorado	2,645.3	7.7%	2,645.1	8.1%	2,715.0	7.9%	5.1%	2.7%
United States	153,866	9.3%	153,518	10.0%	153,829	8.8%	5.1%	4.0%

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

The average weekly count of unemployment insurance claims filed in Metro Denver rose between April and May after five consecutive monthly declines. The increase, however, was slight, and the year-to-date average weekly count of claims was down 20.8 percent in May from the average for the first five months of 2009. The statewide average weekly count of claims was down a similar 20.4 percent year-to-date in May.

Weekly First-Time Unemployment Insurance Claims

	Month of May-10	Month of Apr-10	Month of May-09	YTD Avg 2010	YTD Avg 2009	YTD Avg % Change
Metro Denver	1,987	1,949	2,437	2,127	2,687	-20.8%
Colorado	3,658	4,123	4,730	4,007	5,036	-20.4%

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

Data from the Federal Reserve show household net worth – the value of households' real estate holdings, financial instruments, and other tangible assets minus debt and liabilities – increased more than two percent between the fourth quarter of 2009 and the first quarter of 2010. While improvement in households' financial standing is a positive development, first quarter growth in net worth was considerably slower than growth reported in mid-2009. Growth at the first quarter pace would need to continue uninterrupted for more than two years before households regained their pre-recession wealth, but recent stock market instability may have already shaken the growth trend, some analysts say.

The recent growth trend for personal income is also sluggish. Total Colorado personal income – which includes all payments for wages, rent, and social insurance programs – increased 0.4 percent between the fourth quarter of 2009 and the first quarter of 2010. The increase was smaller than the 0.9 percent gain reported nationwide and ranked 46th largest in the nation.

Limited growth in income and overall wealth is – at least temporarily – fostering frugality and forcing difficult choices. A recent Pew Research Center telephone survey found that thirty-five percent of respondents who were working, retirement-age adults had postponed retirement. Roughly 60 percent of respondents age 50 to 61 said they would do the same, and 50 percent of respondents said they have tried to reduce debt. Looking ahead, almost 50 percent of survey respondents said they will save more, roughly 30 percent said they will limit borrowing, and almost 33 percent said they would limit spending.

Consumer's poor income outlooks and job worries have clearly shaken consumer confidence. The Conference Board's U.S. Consumer Confidence Index dropped sharply in June after three consecutive monthly improvements. The Mountain Region Consumer Confidence Index also declined between May and June, but the drop was less pronounced than the decline reported nationwide.

Consumer Confidence Index

	Month of Jun-10 (p)	Month of May-10	Month of Jun-09	YTD Avg 2010	YTD Avg 2009	YTD Avg % Change	Ann Avg 2005
Mountain	61.2	62.8	68.3	55.3	46.7	18.3%	120.3
United States	52.9	62.7	49.3	54.8	39.1	40.1%	100.3

Source: The Conference Board. (p) = preliminary

A May decline in U.S. retail sales came as a surprise after seven consecutive months of increases. May sales were 1.2 percent lower than sales in the prior month, partly because building materials stores reported large declines in receipts after the homebuyers' tax credits and efficient appliance incentives expired. Citing the building materials decline, some economists say the May drop in total sales amounts to little more than a temporary, post-incentives backlash. Others fear the May sales data reflects a broad-based pullback in consumers' willingness to spend.

MONTHLY ECONOMIC SUMMARY

Metro Denver retail sales rose above the year-ago level for the fourth consecutive month in March. Total retail sales for the first quarter of 2010 were 2.6 percent higher than sales in the first quarter of 2009, and first quarter 2010 sales also rose over-the-year in each of the seven Metro Denver counties except the City and County of Broomfield. Retail sales statewide have also strengthened, though not to the extent reported in Metro Denver. Specifically, Colorado retail sales in the first quarter of 2010 were one percent higher than sales reported in the first quarter of 2009.

Total Retail Sales ($000s)

	Month of Mar -10	Month of Feb-10	Month of Mar-09	YTD Total 2010	YTD Total 2009	YTD Total % Change	Annual Growth 2005	Annual Growth 2000
Total Metro Denver	7,126,002	6,004,902	6,795,947	19,014,637	18,530,429	2.6%	7.8%	12.5%
Adams County	1,105,191	1,026,531	1,055,789	3,037,084	3,014,192	0.8%	16.6%	9.3%
Arapahoe County	1,529,414	1,152,971	1,482,434	3,835,356	3,727,468	2.9%	6.6%	14.2%
Boulder County	727,880	579,732	686,043	1,887,344	1,834,094	2.9%	9.0%	10.5%
Broomfield County	126,074	97,885	125,482	321,844	327,524	-1.7%	-31.5%	N/A
Denver County	2,024,625	1,777,296	1,919,948	5,579,217	5,485,459	1.7%	10.4%	13.4%
Douglas County	546,406	450,908	496,226	1,448,222	1,361,100	6.4%	13.5%	16.5%
Jefferson County	1,066,412	919,579	1,030,025	2,905,570	2,780,592	4.5%	2.4%	10.8%
Colorado	12,048,601	9,842,458	11,601,748	31,750,503	31,426,406	1.0%	8.4%	10.8%

Source: Colorado Department of Revenue.

The U.S. Consumer Price Index (CPI) declined for the second consecutive month in May. As they did in April, lower energy prices in May drove the overall decline in CPI. The May measure of “core” CPI – or prices for all items excluding food and energy – was up just 0.9 percent from the year-ago reading.

Oil prices remain significantly below pre-recession levels but have fluctuated in recent weeks as economic headlines continue to change. Prices sank with the onset of the European debt crisis then rose in anticipation of higher U.S. demand and the potential for oil spill-related supply constraints. More recently, prices again softened when forecasts by the International Energy Agency suggested world oil supply should “mostly” meet demand over the next several years. As oil prices continue to shift, Metro Denver motorists have also seen shifting prices at the pump. According to the *AAA Daily Fuel Gauge Report*, the region-wide average price per gallon of regular gasoline in June ($2.65) was two cents higher than the May average but was considerably higher than the year-ago average ($2.48). The Metro Denver June average price for regular gasoline was roughly four percent lower than the nationwide average.

While gasoline prices have risen above 2009 lows, they remain significantly more affordable than prices reported before the recession. This relative affordability is one factor behind what has so far been a better travel year. The year-to-date average occupancy rate for Metro Denver hotels in May (58.3 percent) rose above the comparable 2009 average (54.7 percent), and May was the first month of 2010 in which the average room rate rose above the year-ago level. Because room rates were relatively weak through the earlier months of the year, the May year-to-date average room rate was 1.5 percent lower than the average for the first five months of 2009.

The hotel data generally suggest that more businesses and households are taking trips, but many have restrained their spending along the way. A recent report by Longwoods International confirms that trend for tourism. According to the report, Colorado welcomed 1.1 percent more visitors in 2009 than in 2008. The increase boosted the state’s total visitor count to a record 51.7 million and starkly contrasted with visitor declines reported in many other areas. Even with the higher visitor count, though, total tourism spending in the state fell 11 percent between 2008 and 2009. A 32 percent decline in Colorado business travel spending was a key factor in the overall decline, as was an increase in shorter day trips.

MONTHLY ECONOMIC SUMMARY

A second report on tourism suggests Colorado resorts managed to weather a challenging 2009-2010 ski season. According to Colorado Ski Country USA (CSCUSA), ski trips by Colorado residents to CSCUSA member resorts declined slightly in the 2009-2010 season while trips by out-of-state and international visitors increased. Total skier visits to all Colorado resorts – including CSCUSA members and non-members – increased 0.8 percent between the 2008-2009 and 2009-2010 ski seasons.

Metro Denver Hotel Statistics

	Month of May-10	Month of Apr-10	Month of May-09	YTD Avg 2010	YTD Avg 2009	YTD Avg % Change	Annual 2005	Annual 2000
Percent of Hotel Rooms Occupied	65.7%	59.5%	58.8%	58.3%	54.7%	6.6%	64.1%	68.6%
Average Hotel Room Rate	$111.56	$108.08	$105.07	$104.97	$106.62	-1.5%	$91.10	$89.57

Source: Rocky Mountain Lodging Report.

The decline in Denver International Airport passenger traffic between March and April is consistent with the shift from the spring break rush to more normal travel trends. Passenger traffic rose 3.7 percent year-to-date in April.

Denver International Airport Passengers

	Month of Apr-10	Month of Mar-10	Month of Apr-09	YTD Total 2010	YTD Total 2009	YTD Total % Change	Annual 2005	Annual 2000
Number of Airline Passengers	4,077,549	4,449,987	3,941,539	16,004,914	15,436,572	3.7%	43,387,369	38,751,687

Source: Denver International Airport, Traffic Statistics.

In late June, stocks fell on news of weaker consumer confidence, lower expected growth in China, and ongoing troubles in the European economy. June year-to-date returns for the major national indexes were negative and ranged from -6.3 percent for the Dow Jones Industrial Average to -7.6 percent for the S&P 500. While the Bloomberg Colorado Index followed the national indexes and declined between May and June, the Bloomberg Colorado Index's year-to-date return remained positive (+9.3 percent).

Stock Market Indexes

	Month of Jun-10	Month of May-10	Month of Jun-09	YTD Return 2010	YTD Return 2009	Ann Avg Return 2005
Bloomberg Colorado	352.2	366.4	254.1	9.3%	15.2%	16.9%
S&P 500	1,030.7	1,089.4	919.4	-7.6%	1.8%	3.0%
NASDAQ	2,109.2	2,257.0	1,835.0	-7.0%	16.4%	1.4%
DJIA (Dow Jones)	9,774.0	10,136.6	8,448.1	-6.3%	-3.7%	-0.6%

Sources: Bloomberg.com, Yahoo! Finance

Residential Real Estate

Status reports on the government's $75 billion mortgage assistance program continue to be negative. The number of homeowners who have dropped out of the program now exceeds the number who have obtained permanent loan workouts, and blame for the program's failings spreads wide. Many homeowners have complained about the program's confusing rules and heavy documentation requirements. Lenders, on the other hand, say homeowners have failed to submit the proper paperwork and note that many are disqualified when they cannot furnish proof of income.

Home Resales

Data from the National Association of Realtors (NAR) show U.S. existing home sales fell 2.2 percent between April and May as the sales impact of the homebuyers' tax credits began to wear off. The May home sales pace was inconsistent across U.S. regions with sales in the Northeast down 18.3 percent over-the-month and May sales in the Midwest, South, and West either unchanged or up slightly from April totals. Looking ahead, NAR economists say sales could soften in the wake of buyers' incentives and will subsequently depend more on job growth and foreclosure trends.

May home sales in Metro Denver increased 4.2 percent from April sales, but the slight improvement concealed a major decline in pending transactions. The total number of Metro Denver homes under contract in May was 41.3 percent lower than the number for the prior month and 27.3 percent lower than the number under contract in May 2009. While much of the slowdown was expected in the post-tax credit housing market, the extent to which tax credit-driven sales "borrowed" future transactions will not be clear for several months. In the meantime, real estate experts say solid home price trends are a good sign for the market. The Metro Denver average single-family home sales price for the first five months of the year was 9.1 percent higher than the average for the same months of 2009, and the year-to-date average condominium price in May was 3.8 percent higher than the comparable 2009 average.

Previously-Owned Home Sales Activity

	Month of May-10	Month of Apr-10	Month of May-09	YTD Total 2010	YTD Total 2009	YTD Total % Change	Ann Avg 2005	Ann Avg 2000
Home Sales (Under Contract)	3,883	6,616	5,343	24,510	23,366	4.9%	65,256	37,130
Home Sales (Closed)	4,365	4,188	3,628	16,944	15,177	11.6%	53,106	48,611
Unsold Homes on Market	21,433	20,943	20,734	21,433	20,734	3.4%	23,092	8,820
Average Sales Price-Single Family	$273,285	$274,253	$262,066	$271,591	$248,940	9.1%	$307,529	$239,779
Average Sales Price-Condo	$157,566	$161,708	$172,454	$159,870	$154,025	3.8%	$189,035	$145,197
Median Sales Price-Single Family	$230,000	$230,000	$220,000	$225,000	$203,007	10.8%	$247,000	$195,000
Median Sales Price-Condo	$135,000	$139,700	$137,000	$134,581	$125,000	7.7%	$160,000	$126,500

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

Home Prices

Data from the NAR show the nationwide median home price in May ($179,600) was 2.7 percent higher than the year-ago median price. Because the share of May home sales classified as "distressed" was relatively similar to the share reported in May 2009, NAR analysts say the improvement in median home price bodes well for the market's ability to heal despite ongoing foreclosure challenges. The Northeast was the only U.S. region to report a year-over-year decline (-2.2 percent) in May's median home price. Over-the-year gains in median home price for the remaining regions ranged from one percent in the South to 7.4 percent in the West.

A different NAR data set on first quarter 2010 median home prices suggests many regional housing markets are beginning to recover. Of the 149 MSAs that reported a change in median home price between the first quarters of 2009 and 2010, 58 reported declines and 91 reported gains. The Denver-Aurora-Broomfield MSA and the Boulder MSA were both among the latter group, with over-the-year increases in median home price of 16.5 percent and 2.3 percent, respectively. The increase in price for the Denver MSA was particularly notable as it ranked 13th highest among the 91 metros reporting gains. By contrast, the national median home price of $166,100 fell 0.7 percent over-the-year in the first quarter.

The first quarter 2010 median home price in the Denver-Aurora-Broomfield MSA ($224,800) ranked 24th highest in the nation, and the Boulder median price ($335,800) ranked 11th highest. The NAR will release data on second quarter median home prices on August 11.

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

	Quarter 1 2010 (p)	Quarter 4 2009 (r)	Quarter 1 2009	YTD Avg 2010	YTD Avg 2009	YTD Avg % Change	Median 2005	Median 2000
Boulder-Longmont MSA	$335.8	$343.8	$328.4	$335.8	$328.4	2.3%	$348.4	n/a
Denver-Aurora-Broomfield MSA	$224.8	$223.2	$192.9	$224.8	$192.9	16.5%	$247.1	$196.8
United States	$166.1	$170.3	$167.3	$166.1	$167.3	-0.7%	$219.0	$139.0

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

The S&P/Case-Shiller Home Price Index for Denver is among four metro area indices that increased over-the-year in April and in the previous five months. The 10-City and 20-City Composite Home Price Indices increased over-the-year by 4.6 percent and 3.8 percent in April, but analysts caution that the April results were heavily swayed by the homebuyers' tax credits.

Foreclosures

Four of the seven Metro Denver counties reported a year-to-date decline in foreclosure filings in May. Among the remaining counties, the increase in year-to-date filings in May was largest for Boulder County (6.4 percent), while Jefferson County (+1 percent) and Douglas County (+0.9 percent) reported smaller increases.

Real Estate Foreclosures

	Month of May-10	Month of Apr-10	Month of May-09	YTD Total 2010	YTD Total 2009	YTD Total % Change	Annual Total 2005
Total Metro Denver*	1,737	2,099	2,058	10,091	10,761	-6.2%	14,335
Adams County	379	495	430	2,182	2,440	-10.6%	3,281
Arapahoe County	410	446	465	2,346	2,402	-2.3%	3,600
Boulder County	97	121	113	563	529	6.4%	619
Broomfield County	25	30	28	130	138	-5.8%	124
Denver County	375	419	489	2,210	2,617	-15.6%	3,713
Douglas County	136	231	199	1,022	1,013	0.9%	878
Jefferson County	315	357	334	1,638	1,622	1.0%	2,120

**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: Colorado Division of Housing and county public trustees.

Data from RealtyTrac show the total count of U.S. homes that received some sort of foreclosure filing in May fell three percent from April and was only slightly higher than the count of properties reported in May 2009. The count of bank repossessions, however, remained at a record high level. Combined, the recent trends suggest lenders are continuing – and perhaps accelerating – their review of a backlog of foreclosure cases.

New Homes

Data from the U.S. Department of Commerce show new home sales fell 33 percent between April and May. A drop in new home sales was broadly expected following the expiration of the homebuyers' tax credits, but the magnitude of the decline shocked many experts. May sales reached the lowest level reported since recordkeeping began in 1963, and the April-to-May sales decline was even larger in the West (-53.2 percent). New home sales in the South and Midwest declined 25.4 percent and 23.9 percent between April and May, respectively, and sales in the Northeast fell 33.3 percent.

New home construction activity also slowed after the tax credits expired. A second Department of Commerce data series shows nationwide new housing starts fell 10 percent between April and May, and starts for single-family detached homes fell an even larger 17.2 percent. Housing starts contracted the most between April and May in the South (-21.3 percent) and the Northeast (-6.3 percent), but starts rose in the Midwest (+4.9 percent) and West (10.8 percent). Every region, however, reported a decline in building permits between April and May that could foretell a general slowdown in residential construction over the next several months.

The National Association of Homebuilders (NAHB)/Wells Fargo Housing Market Index declined in June to the lowest level reported since March. As expected, builder assessments of prospective buyer traffic, current sales conditions, and six-month sales conditions slumped when the tax credits expired.

The total count of residential building permits issued in Metro Denver declined slightly between April and May, but the May count of permits was still nearly 50 percent higher than the count issued one year prior. Permits for single-family detached homes rose the most (+79.9 percent) year-to-date in May, followed by permits for condominiums and townhomes (+52.9 percent). Apartment construction, by contrast, continues to lag. The total count of Metro Denver apartment permits issued through the first five months of the year was 12.3 percent lower than the count issued during the same months of 2009.

Residential Building Permits

	Month of May-10	Month of Apr-10	Month of May-09	YTD Total 2010	YTD Total 2009	YTD Total % Change	Total 2005	Total 2000
Single-Family Detached Units	283	248	196	1,450	806	79.9%	15,778	15,873
Single-Family Attached Units	57	92	45	364	238	52.9%	4,642	3,321
Multi-Family Units	21	41	0	300	342	-12.3%	459	9,116
Total Units	361	381	241	2,114	1,386	52.5%	20,879	28,310

Source: Home Builders Association of Metro Denver.

While apartment construction activity remains subdued, new projects are still breaking ground. One project, the Bluff Lake Apartment Homes in Stapleton, will consist of 92 units to be marketed as affordable housing. The complex will include a computer lab, playground, and other community facilities plus Energy Star appliances and other green features.

Apartment Rental Market

Data from the *Denver Metro Apartment Vacancy and Rent Survey* show the region's average vacancy rate declined in the first quarter to 6.5 percent from 7.7 percent in the fourth quarter. The first quarter vacancy rate was also down nearly two percentage points from the year-ago level, and vacancy rates in the seven Metro Denver counties were down between one and three percentage points from vacancy rates for the first quarter of 2009. Some housing analysts say landlords essentially "bought" the decline in vacancy by offering reduced rental rates and other concessions, but others say limited new apartment construction and Metro Denver's attraction for new residents are keeping vacancies lower. Metro area first quarter vacancy rates were lowest in Douglas County (4.4 percent) and highest in Arapahoe County (7.2 percent).

While Metro Denver's average apartment rental rate in the first quarter ($877) was slightly higher than the fourth quarter average, the rate was down 0.5 percent from the year-ago average. Analysts say cost-conscious renters and limited job growth are keeping rental rates fairly static, but they expect rates will climb as job growth accelerates. First quarter average rental rates in the seven Metro Denver counties ranged from $834 in Jefferson County to $1,055 in Douglas County.

Apartment Statistics

	Quarter 1 2010	Quarter 4 2009	Quarter 1 2009	YTD Average 2010	YTD Average 2009	YTD Average % Change	Annual Average 2005	Annual Average 2000
Apartment Vacancy Rate	6.5%	7.7%	8.4%	6.5%	8.4%		8.2%	4.6%
Average Monthly Rental Rate (all units)	$877	$875	$882	$877	$882	-0.5%	$839	$763

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

Even in a sluggish commercial real estate market, newly developed space in Metro Denver is attracting tenants. Spokespeople for the recently completed Spire condominium project say tenants have finalized commitments for all of the project's retail space, and retail offerings will include an environmentally-friendly dry cleaners, several restaurants, and a new-to-Denver coffee shop. Spokespeople for Spire – which is located at 14th and Champa streets – say the project's residential units are also selling quickly.

Another recently completed space, the Streets at SouthGlenn development in Centennial, is also attracting new tenants. Pearson eCollege, a Denver-based online education software company, has finalized a lease for roughly two-thirds of the office space currently available at the Streets at SouthGlenn. Spokespeople say the company will occupy the new space – which could ultimately house several hundred employees – in November.

While occupancy trends have been positive for some newly completed spaces, the overall sentiment of commercial real estate developers is cautious at best. A handful of projects are moving forward – developer North Forest Office Providers LLC, for example, recently broke ground on the 104th Avenue Professional & Medical Center in Commerce City. The project – which includes six one-story buildings – should be completed by the end of this year.

Officials with Children's Hospital in Aurora also announced a new development project. Builders are beginning work on a 350,000-square-foot, $228 million expansion that will add beds and clinical space for intensive care, rehabilitation, and several other hospital units. The new space – which spokespeople say should be completed in 2012 – could support 500 or more new jobs at the hospital.

Some infrastructure projects are also proceeding. Utility and train track relocation near DIA could begin this summer now that the Regional Transportation District (RTD) has selected a contractor for its Eagle P3 project. The project includes the FasTracks East Corridor commuter rail line to DIA, the Gold Line commuter rail route to Wheat Ridge, a commuter rail maintenance facility, and a segment of the Northwest Rail Corridor that will eventually connect Longmont with downtown Denver. RTD officials selected a public-private partnership led by Texas-based construction and engineering company Fluor Corp. and Australian investor Macquarie Capital Group Ltd. as the Eagle P3 project's main contractor. The partnership – called Denver Transit Partners – will complete the project in 2016 and will finish roughly $300 million under budget. The partnership will also operate and maintain the P3 lines for 40 years. Separately, RTD officials noted that the Eagle P3 project could eventually employ 3,000 local workers with varying experience levels in surveying, steel work, and other trades.

Major infrastructure projects including Eagle P3 will provide much-needed job opportunities for some of the many construction workers idled by the continuing lull in commercial development activity. *According to CoStar Realty Information, Inc., the total square footage of Metro Denver office property under construction during the second quarter of 2010 was less than half of the total under construction one year prior. Other office market fundamentals were generally flat in the second quarter, with direct vacancy declining slightly to 13.5 percent from 13.6 percent in the first quarter and the direct average lease rate rising one cent to $20.07 per square foot.*

The new FBI headquarters building at Stapleton and 1800 Larimer were among the four office properties completed in the second quarter.

A second quarter report by Grubb & Ellis suggests Metro Denver's office market is slowly improving, although improvement for now means slower increases in vacancy rates. The report notes that office market vacancy tends to increase for four post-recession quarters before gradually improving, and vacancy rates have risen higher recently as many office market businesses take a less-than-aggressive stance on growth and hiring. Despite these challenges, Metro Denver's office market is showing signs of future improvement. New and expanding businesses continue to show interest in office space throughout the region, and investors are regaining their interest in Denver as they exit other more distressed metro markets.

Office Market Statistics

	Quarter 2 2010	Quarter 1 2010	Quarter 2 2009	Quarter 2 2008	Quarter 2 2007	Quarter 2 2006
Number of Buildings	5,528	5,506	5,496	5,440	5,359	5,310
Existing Square Feet (millions)	164.8	164.0	163.2	160.5	159.2	157.2
Vacant Square Feet (direct, millions)	22.2	22.3	22.2	19.1	19.2	20.1
Vacancy Rate (direct)	13.5%	13.6%	13.6%	11.9%	12.1%	12.8%
Vacancy Rate (with sublet)	14.4%	14.5%	14.8%	12.7%	12.8%	13.9%
Avg. Lease Rate (direct, per sq. ft, full service)	$20.07	$20.06	$21.16	$21.85	$20.22	$17.97
New Construction Completed (year-to-date)	0.73 MSF, 4 Bldgs	0.01 MSF, 1 Bldg	0.69 MSF, 15 Bldgs	0.57 MSF, 24 Bldgs	0.79 MSF, 19 Bldgs	0.40 MSF, 21 Bldgs
Currently Under Construction	0.73 MSF, 14 Bldgs	1.16 MSF, 7 Bldgs	1.93 MSF, 13 Bldgs	3.54 MSF, 51 Bldgs	2.15 MSF, 88 Bldgs	1.56 MSF, 40 Bldgs

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

Metro Denver's industrial market continues to perform better than other property types throughout the region. Data from CoStar Realty Information, Inc. show the region-wide direct industrial market vacancy rate declined in the second quarter to six percent from 6.5 percent in the first quarter. Despite declining vacancy, average lease rates remain depressed. Direct average lease rates declined just one cent per square foot to $4.74 in the second quarter, but the second quarter lease rate was nearly five percent below the rate reported in the second quarter of 2009 and almost nine percent lower than the second quarter 2008 rate. A scant 70,000 square feet of industrial property was under construction during the second quarter.

As it outperforms other property types throughout the region, Metro Denver's industrial market is also moving ahead of industrial markets nationwide. Metro Denver's industrial market ranked third on Marcus & Millichap's *2010 National Industrial Index*, which evaluates markets based on forward-looking measures of supply and demand. Notably, Metro Denver ranked among the top 10 markets nationwide for highest expected absorption, lowest expected vacancy rate, and highest expected completions. Metro Denver scored among the bottom ten markets, however, for anticipated job growth.

A second quarter report by Grubb & Ellis notes that a strong rebound in manufacturing activity has boosted demand for warehouse, distribution, and other industrial space throughout Metro Denver. As a result, the industrial market continues to show more strength than other property types. Market fundamentals have also strengthened as several renewable energy companies occupy newly completed space. Fundamentals for flex market property, however, remain weak as flex properties struggle to complete with deeply discounted office and retail space.

Industrial Market Statistics

	Quarter 2 2010	Quarter 1 2010	Quarter 2 2009	Quarter 2 2008	Quarter 2 2007	Quarter 2 2006
Number of Buildings	6,777	6,770	6,766	6,742	6,691	6,638
Existing Square Feet (millions)	217.2	217.0	216.9	215.3	212.8	210.5
Vacant Square Feet (direct, millions)	13.1	14.2	15.2	13.4	13.1	15.6
Vacancy Rate (direct)	6.0%	6.5%	7.0%	6.2%	6.1%	7.4%
Vacancy Rate (with sublet)	6.4%	6.9%	7.3%	6.7%	6.3%	7.7%
Avg. Lease Rate (direct, per square foot, NNN)	$4.74	$4.75	$4.98	$5.19	$4.94	$4.85
New Construction Completed (year-to-date)	0.07 MSF, 3 Bldgs	0.01 MSF, 1 Bldg	0.19 MSF, 4 Bldgs	0.32 MSF, 12 Bldgs	0.65 MSF, 8 Bldgs	1.08 MSF, 14 Bldgs
Currently Under Construction	0.06 MSF, 2 Bldgs	0.02 MSF, 1 Bldg	0 MSF, 0 Bldgs	1.16 MSF, 20 Bldgs	1.87 MSF, 22 Bldgs	1.35 MSF, 14 Bldgs

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

Unlike the industrial market in Metro Denver, the flex market has yet to show sustained improvement. The direct flex market vacancy rate in the second quarter (14.9 percent) was higher than the 14.6 percent rate reported in the first quarter and was more than three percentage points above the pre-recession low point. The average flex market lease rate has remained fairly stable despite rising vacancy and reached $9.63 per square foot in the second quarter, up one cent per square foot from the first quarter average. Flex market construction activity, however, remains stalled. Just 20,000 square feet of flex property was under construction during the second quarter, and no properties have been completed yet this year.

Flex Space Statistics

	Quarter 2 2010	Quarter 1 2010	Quarter 2 2009	Quarter 2 2008	Quarter 2 2007	Quarter 2 2006
Number of Buildings	1,362	1,360	1,356	1,332	1,308	1,289
Existing Square Feet (millions)	38.6	38.5	38.4	37.5	36.9	36.4
Vacant Square Feet (direct, millions)	5.8	5.6	5.4	4.6	4.3	4.6
Vacancy Rate (direct)	14.9%	14.6%	14.2%	12.3%	11.7%	12.6%
Vacancy Rate (with sublet)	15.3%	15.1%	14.8%	12.9%	12.3%	13.2%
Avg. Lease Rate (direct, per square foot, NNN)	$9.63	$9.62	$9.52	$9.85	$8.99	$8.42
New Construction Completed (year-to-date)	0 MSF, 0 Bldgs	0 MSF, 0 Bldgs	0.10 MSF, 5 Bldgs	0.37 MSF, 8 Bldgs	0.14 MSF, 5 Bldgs	0.29 MSF, 8 Bldgs
Currently Under Construction	0.02 MSF, 1 Bldg	0 MSF, 0 Bldgs	0.20 MSF, 4 Bldgs	0.48 MSF, 19 Bldgs	0.14 MSF, 7 Bldgs	0.23 MSF, 9 Bldgs

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

The third consecutive quarterly decline in Metro Denver's direct retail market vacancy rate left the rate at 7.8 percent in the second quarter. Because the retail market remains highly competitive, retail lease rates continue to sink. Data from CoStar Realty Information, Inc. show the first quarter direct average lease rate ($15.31 per square foot) was six percent below the first quarter rate and was 12 percent lower than the peak rate reported in the third quarter of 2008. A slight 170,000 square feet of Metro Denver retail space was under construction during the second quarter, and just 320,000 square feet of space has been completed so far this year.

A second quarter report by Grubb & Ellis says restaurants are currently the most active tenants in Metro Denver's retail market. Large-scale retailers including Sunflower Market, SmartCo Foods, and Appliance Factory outlet are also generating market activity as they reoccupy and repurpose vacant big box space.

Retail Market Statistics

	Quarter 2 2010	Quarter 1 2010	Quarter 2 2009	Quarter 2 2008	Quarter 2 2007	Quarter 2 2006
Number of Buildings	9,008	8,965	8,929	8,804	8,673	8,522
Existing Square Feet (millions)	157.0	156.5	155.6	153.1	150.0	146.2
Vacant Square Feet (direct, millions)	12.2	12.6	12.8	10.5	9.9	10.2
Vacancy Rate (direct)	7.8%	8.1%	8.2%	6.9%	6.6%	7.0%
Vacancy Rate (with sublet)	8.1%	8.4%	8.6%	7.1%	6.8%	7.2%
Avg. Lease Rate (direct, per square foot, NNN)	$15.31	$16.29	$16.80	$16.54	$16.65	$15.75
New Construction Completed (year-to-date)	0.32 MSF, 11 Bldgs	0.03 MSF, 3 Bldgs	1.05 MSF, 37 Bldgs	1.56 MSF, 33 Bldgs	0.67 MSF, 16 Bldgs	N/A
Currently Under Construction	0.17 MSF, 6 Bldgs	0.43 MSF, 10 Bldgs	0.62 MSF, 24 Bldgs	3.15 MSF, 58 Bldgs	5.90 MSF, 71 Bldgs	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 increased 12,800 jobs Apr to May; YTD emp. down 2.9% through May 2010.
% Companies Hiring (Denver Area)	⇑	⇑	19% of companies expect to add workers in Q3 2010 and 68% expect no change.
Unemployment Rate	⇓	⇐⇒	Metro rate 7.5% in May; YTD avg. rate of 7.9% essentially unchanged from 2009 YTD avg.
Initial Unemployment Insurance Claims	⇑	⇓	Claims increased Apr to May; YTD claims down 20.8% through May 2010.
Total Retail Sales	⇑	⇑	Metro retail increased Feb to Mar; YTD sales up 2.6% thru Mar 2010.
Consumer Confidence Index	⇓	⇑	Mountain Region down to 61.2 in Jun from 62.8 in May; index up 18.3% YTD through Jun 2010.
Hotel Occupancy	⇑	⇑	Hotel occupancy increased from 59.5% in Apr to 65.7% in May; occupancy up 6.6% YTD.
DIA Passengers	⇓	⇑	Traffic decreased Mar to Apr; traffic up 3.7% YTD through Apr 2010.
Bloomberg Colorado Index	⇓	⇑	Bloomberg Colorado Index down 3.9% from May to Jun; year-to-date return at 9.3%.
Dow Jones Industrial Average	⇓	⇓	DOW decreased 3.6% May to Jun; year-to-date return at -6.3%.
Home Sales (closed)	⇑	⇑	Home sales increased 4.2% Apr to May; YTD sales up 11.6% through May.
Median Home Price (Denver-Aurora MSA)	⇑	⇑	Median home price in Denver MSA up 0.7% Q4 '09 to Q1 '10; Q1 price up 16.5% from Q1 '09
Foreclosures	⇓	⇓	Foreclosures decreased 17.2% Apr to May; YTD down 6.2% through May 2010.
Residential Building Permits (Total)	⇓	⇑	Total permits decreased between Apr and May; YTD up 52.5% through May 2010.
Apartment Vacancy Rate	⇓	⇓	Vacancy rate decreased from 7.7% in Q4 to 6.5% in Q1; avg rental rate at $877 per month.
Office Vacancy Rate (with Sublet)	⇓	⇓	Vacancy down from 14.5% to 14.4% in Q2 2010; avg lease rate up to $20.07/sq.ft.
Industrial Vacancy Rate (with Sublet)	⇓	⇓	Vacancy down from 6.9% to 6.4% in Q2 2010; avg lease rate down to $4.74/sq. ft. (NNN)
Retail Space Vacancy Rate (with Sublet)	⇓	⇓	Vacancy rate down from 8.4% to 8.1% in Q2 2010; avg. lease rate down to $15.31/sq. ft. (NNN)
Positive Changes	**12 of 18**	**15 of 18**	

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