



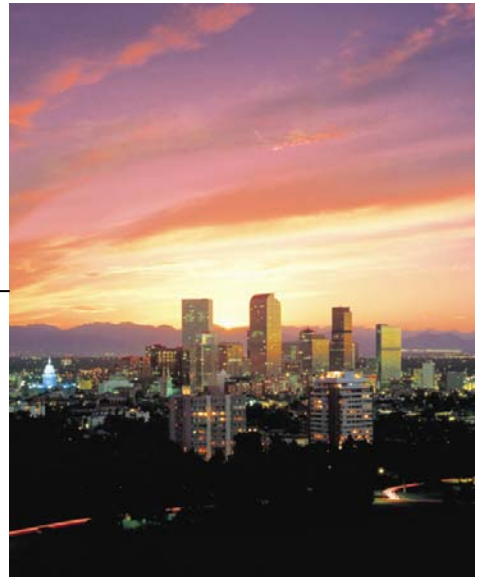
Metro Denver
Economic Development Corporation

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

- ◆ The following eight Colorado companies were named to the 2010 Fortune 500 list:
 - Qwest Communications International Inc. (No. 188)
 - DISH Network Corp. (No. 200)
 - Liberty Global Inc. (No. 210)
 - Liberty Media Corp. (No. 227)
 - Newmont Mining Corp. (No. 295)
 - Ball Corp. (No. 307)
 - CH2M Hill (No. 381)
 - Western Union Co. (No. 413)
- ◆ TechAmerica Foundation's 2010 *Cyberstates* report shows Colorado still ranks third in the nation for overall concentration of high-tech employment. Colorado's tech employment concentration – the count of workers employed in high-tech industry per every 1,000 private-sector workers – has now ranked third highest for four consecutive years. The report also ranked Colorado 15th for absolute employment in high-tech industry, seventh for average high-tech wage, and tenth for absolute number of high-tech businesses.
- ◆ Colorado's limited tax burden gives it the nation's second-best economic outlook, according to the 2010 *ALEC-Laffer State Economic Competitiveness Index*. The index – released by the American Legislative Exchange Council (ALEC) – examines each state's tax structure and spending to demonstrate how public policy shapes economic growth. While Colorado achieved a solid ranking for growth potential, the state ranked lower (15th) on a backward-looking sub-index of economic performance over the past decade.
- ◆ *Chief Executive* magazine named Colorado the nation's eighth-best state for business. The magazine's 2010 "Best/Worst States for Business List" was based on a nationwide survey of CEOs that gauged perceptions of states' taxes and regulation, workforce quality, and other factors. Texas earned the "best" state ranking and California ranked as "worst."
- ◆ Colorado has the nation's tenth-best tax climate for small businesses and entrepreneurs, according to the Small Business & Entrepreneurship Council's "Business Tax Index 2010." The index considers state taxes on income, property, capital gains, and other factors to determine each tax system's overall cost to small business.
- ◆ Metro Denver ranked sixth on *Forbes'* 2010 list of the "Best Places for Business and Careers," which measured quality of life, costs of doing business, and overall economic outlook in the nation's 200 largest metropolitan statistical areas (MSAs). The Fort Collins MSA (fourth overall) was the highest-ranked Colorado metro on the list. The Colorado Springs MSA ranked 12th, the Boulder MSA ranked 14th, and the Greeley MSA ranked 29th.
- ◆ Seven Colorado companies are included on *Outside* magazine's list of the "50 Best Places to Work in America." The list – available in the magazine's May issue – highlights companies that support employees'

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work-life balance with community service initiatives, on-site fitness facilities, and other programs. Louisville-based ecotourism company Natural Habitat Adventures and Fort Collins-based New Belgium Brewery ranked at the top of the list. The other Colorado honorees were Boulder-based Rally Software (sixth), Cortez-based Osprey Packs (12th), Aspen Skiing Company (29th), Louisville-based Pearl Izumi (33rd), and Lafayette-based Peaksware (38th).

- ◆ The Princeton Review named five Colorado schools in its 2010-2011 *Guide to 286 Green Colleges*. Colorado State University in Fort Collins, the University of Colorado at Boulder, the University of Denver, Naropa University in Boulder, and Colorado College in Colorado Springs were designated “green” colleges, or institutions with a demonstrated commitment to sustainable facilities and activities. Colorado College was the only Colorado school on the “Green Honor Roll,” which recognizes the highest-scoring institutions among the 286 schools.
- ◆ RelocateAmerica – an online relocation resource – named Boulder among the top 10 cities on its 2010 list of the “Top 100 Places to Live.” Contributors gave Boulder accolades for its progressive environment, outdoor recreation options, and mix of small and large businesses.
- ◆ Denver ranked 10th on U-Haul International Inc.’s list of “The 2009 Top 50 U.S. Destination Cities,” which documented the most-frequently selected destinations for movers traveling more than 50 miles. At 42nd most popular overall, Colorado Springs was the only other Colorado city on the 2009 list.
- ◆ Lender Processing Services Inc.’s *Mortgage Monitor* report suggests Colorado had the nation’s eighth-lowest occurrence of underperforming mortgage loans in March 2010. Roughly 7.7 percent of Colorado mortgages were noncurrent – either delinquent or in foreclosure – in March. Nationwide, 12.4 percent of mortgages were noncurrent, and Florida and Nevada had noncurrent rates in excess of 20 percent.
- ◆ Metro Denver ranked 345th among 451 metropolitan and micropolitan statistical areas for housing affordability, according to a recent study by *Business First of Buffalo*. The study compared each area’s median household income to its median home price as reported in the Census Bureau’s 2006-2008 American Community Survey.
- ◆ Denver ranked 25th among 100 U.S. cities on *Business Travel News*’ “2010 Corporate Travel Index,” which considers the costs of hotel stays, car rental, and meals. New York City and Washington, DC ranked first and second as the nation’s most expensive business travel destinations.
- ◆ Boulder ranked third on a list of “America’s Top 50 Bike-Friendly Cities” assembled by *Bicycling* magazine. Cities on the list offer bike shops, segregated bike lanes, bike racks, and other facilities for cyclists, and they support a cycling culture. Denver ranked 12th on the list and Colorado Springs ranked 18th.
- ◆ Denver is the nation’s 20th-most “fun” city, according to a ranking assembled by business news Web site Portfolio.com. The 100-city ranking reflects criteria including the total and per capita numbers of retail stores, restaurants, and recreational and entertainment facilities. Denver’s ranking reflects better-than-average scores for gambling opportunities, restaurants, and access to sports, culture, and popular entertainment.
- ◆ Six of the nation’s 50 largest craft brewers are headquartered in Colorado, according to a ranking released by the Brewers Association. Fort Collins-based New Belgium Brewing Company ranked third largest in the nation based on 2009 sales volume, followed by Fort Collins-based Odell Brewing Company (33rd largest), Louisville-based Rock Bottom Brewery (34th largest), Longmont-based Oskar Blues Brewery (44th largest), Denver-based Breckenridge Brewery (46th largest), and Boulder-based Boulder Beer Company (49th largest). New Belgium ranked seventh on a separate list of the largest brewers overall, and Odell (44th) and Rock Bottom (45th) also ranked among the nation’s 50 largest brewers.
- ◆ Denver ranks ninth among 16 U.S. cities for prevalence of “smart” office buildings, according to a survey by International Business Machines Corp. (IBM). The “Smart Buildings Survey” asked nearly 6,500 office

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workers whether their buildings had motion-sensitive lights and thermostats, low-flush toilets, and other features designed to save energy and boost worker productivity.

- ◆ The American Lung Association gave Metro Denver counties mostly failing grades for ozone pollution in its 2010 *State of the Air* report. Report findings are based on measurements of ozone and particulate pollution taken at U.S. measurement sites between 2006 and 2008. For ozone pollution, Arapahoe, Boulder, Douglas, and Jefferson Counties all received “F” grades. Adams County received a “D” grade and the City and County of Denver received a “C” grade. The counties generally scored better on measures of particulate pollution, with Boulder County receiving an “A” grade and Arapahoe and Douglas Counties earning “B” grades. Adams County earned a “C” for particulate pollution and the City and County of Denver earned a “D.” (Metro Denver counties not listed were not ranked.)
- ◆ The Denver-Aurora-Broomfield MSA ranked 16th among 52 large metro areas for longest average commute time, according to an analysis by *Business First of Buffalo*. Contributors to the newspaper – a sister paper to the *Denver Business Journal* – based the traffic analysis on data from the U.S. Census Bureau’s 2006-2008 American Community Survey. The data suggest New York commuters face the longest journey to work.
- ◆ Colorado ranks 22nd in the nation for overall child well-being, according to a 2010 report by the Colorado Children’s Campaign. The *2010 KIDS COUNT in Colorado!* report measures well-being with a combination of 10 indicators, including the percentages of children in poverty, the share of teenagers that are high school dropouts, and youth mortality rates. While Colorado ranks toward the middle of states for the overall well-being of its youth, the report notes that Colorado ranked highest for increase in child poverty between 2000 and 2008.

Policy Watch

- ◆ Colorado Governor Bill Ritter signed the Clean Air Clean Jobs Act into law in April. The law requires Xcel Energy to reduce emissions from Front Range coal-fired power plants by as much as 80 percent by the end of 2017. Xcel may close, upgrade, or retrofit the facilities for natural gas, and the utility must submit a proposal for the changes in August.
- ◆ The Colorado Housing and Finance Authority (CHFA) recently unveiled a \$40 million program designed to boost lending for farms and small businesses. One branch of the program is bond-funded and will provide loans of up to \$2 million for small manufacturers. A second branch extends CHFA’s guaranteed purchase program with a \$10 million investment from the state treasurer’s office. CHFA uses purchase program dollars to buy locally originated small business and agricultural loans.
- ◆ Colorado legislators are reviewing several measures that could limit tax credits for businesses that operate in enterprise zones, or areas officially designated as economically depressed. House Bill 1200 – which passed the House and now begins Senate hearings – would limit an enterprise zone business’ corporate income tax credits to \$250,000 for the next three tax years. The House also approved Senate Bill 162, which would require businesses to complete a pre-certification process before they can receive enterprise zone credits. Finally, the House approved House Bill 1350, which would require the Colorado Office of Economic Development and International Trade to examine whether business tax exemptions and credits actually generate jobs.

General Economic Overview

Data from the U.S. Department of Commerce show the nation’s trade deficit widened in February as growth in imports exceeded an increase in exports. The overall increase – which partly reflects revived consumer demand – nearly reversed a decline in the deficit reported in January. While a rebound in consumer activity is positive news for the economy, policymakers also hope to see strong growth in exports and, by extension, the nation’s manufacturing sector.

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Exports, however, played a limited role in the nation's first quarter economic growth. According to the U.S. Bureau of Economic Analysis (BEA), the nation's economy expanded at a 3.2 percent rate in the first quarter as household spending – which also drives imports – accelerated. Household spending accounted for roughly 80 percent of the total increase in first quarter GDP, and spending on cars, appliances, and other durable goods contributed essentially the same amount to total percentage growth as spending on food, clothing, and other nondurables.

While generally positive news, the first quarter GDP growth estimate was not without trouble spots. Business spending on real estate continues to decline, and spending on residential homes – which includes both home purchases and remodeling projects – declined in the first quarter for the first time since the second quarter of 2009. Analysts agree that one of the greatest challenges for GDP growth going forward is a weak labor market, which – if it persists – could place fresh constraints on spending. The BEA will issue two further revisions to the first quarter GDP growth figure, one in late May and one in late June.

Member comments from an April meeting of the Federal Reserve's Open Market Committee (FOMC) echo the cautiously optimistic tone of the first quarter GDP data. Members pointed to signs of stronger consumer spending, home construction, and business spending on software and equipment as evidence that the recovery is gaining momentum. At the same time, they cautioned that high unemployment is still a drag on the household sector and noted that businesses are cutting their real estate purchases. Overall, the FOMC expects the recovery will continue at a "moderate" pace for some time and voted to leave its target federal funds rate in the range of zero to 0.25 percent. Because financial markets have broadly stabilized, the Federal Reserve has closed all but one of its liquidity support facilities. The committee next convenes in mid-June.

Economic Indexes

National Economy

- ◆ The Conference Board's Leading Economic Index (LEI) for the U.S. increased a larger-than-expected 1.4 percent between February and March. Analysts say a steady increase in the LEI over the past year suggests the recovery should continue to strengthen, but many note that higher employment and income levels will be fundamentally necessary to sustain growth.
- ◆ The Institute for Supply Management's Purchasing Managers Index (PMI) rose for the eighth consecutive month in March and registered 59.6, up from 56.5 in the prior month. Analysts say the nation's manufacturing sector is growing at the fastest pace reported since July 2004, and components of the PMI suggest manufacturers may be ending a long trend of inventory liquidation. Increasing inventories can indicate that manufacturers have a positive outlook on demand.
- ◆ The Institute for Supply Management's Non-Manufacturing Index rose from 53 in February to 55.4 in March. The gain suggested growth in the nation's non-manufacturing sector is accelerating, and survey respondents from various industries generally agreed that business conditions are improving.

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.

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- ◆ The Vectra Bank Colorado Small Business Index rose from 85.9 in February to 90.8 in March as an improving national and regional economy helped strengthen the outlook for small business. The index improvement also reflects the recently high unemployment rate, a factor that hurts business in the long term but helps provide better access to labor in the short term.
- ◆ The Goss Institute's Business Conditions Index for Colorado registered above growth neutral for the seventh consecutive month in April. The April reading of 73.5 was significantly higher than the March value of 57, although Goss Institute economists say Colorado's job gains to-date in manufacturing and other industries are below levels consistent with economic recovery.

Labor Force and Employment

Metro Denver employers added 6,700 jobs between February and March. Like gains from prior months, though, the March gain was smaller than expected for this time of year. On a year-to-date basis, employment in two of the region's 11 industry supersectors – education and health services and government – increased from employment in the first three months of 2009, and other services employment was unchanged. Year-to-date employment totals in the remaining eight supersectors were down from comparable 2009 figures by anywhere from 0.9 percent in leisure and hospitality to 15.1 percent in natural resources and construction.

Metro Denver's labor market has significant distance to recover, particularly because the region's job losses were somewhat more severe than losses in other areas. The region's total employment across all industries in March was down 3.5 percent year-to-date, while the comparable nationwide employment figure declined 2.4 percent. Local labor market conditions are improving, though, as layoffs have slowed and the share of employers planning to hire is gradually increasing.

Employment in one of Metro Denver's more recession-damaged sectors, wholesale and retail trade, could increase in the coming months. Spokespeople for Wal-Mart Stores, Inc. say the company will open a Wal-Mart Supercenter in Thornton in July and will hire more than 350 workers to staff the location. More than half of the jobs will be full-time positions, and wages for nonsupervisory jobs will average \$11 per hour.

While several companies are planning expansions, analysts generally agree that business and employment growth during 2010 will be slow. For some businesses, slower growth will result from limited opportunities to raise capital. According to the most recent *MoneyTree Report* – an analysis released by PricewaterhouseCoopers and the National Venture Capital Association – first quarter venture capital investments in Colorado companies totaled \$56.9 million, or the second-lowest amount reported in almost 14 years. Notably, investments in clean technology dropped markedly in the first quarter despite growing interest in sustainability and renewable energy.

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

| | Month of Mar-10 (p) | Month of Feb-10 | Month of Mar-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* | 1,320.0 | 1,313.3 | 1,358.6 | 1,314.3 | 1,361.8 | -3.5% | 1.9% | 4.3% |
| Denver-Aurora MSA | 1,162.2 | 1,155.5 | 1,197.5 | 1,157.2 | 1,200.8 | -3.6% | 2.0% | 4.0% |
| Boulder-Longmont MSA | 157.8 | 157.8 | 161.1 | 157.1 | 161.0 | -2.4% | 1.7% | 6.2% |
| Natural Resources & Construction | 71.6 | 70.5 | 82.3 | 71.2 | 83.9 | -15.1% | 4.8% | 10.7% |
| Manufacturing | 74.6 | 74.9 | 79.8 | 75.0 | 80.8 | -7.2% | 0.6% | -1.0% |
| Wholesale & Retail Trade | 196.0 | 195.8 | 202.9 | 196.3 | 205.2 | -4.3% | 2.3% | 3.5% |
| Transp., Warehousing & Utilities | 45.7 | 46.1 | 48.9 | 46.2 | 49.3 | -6.4% | -0.5% | 8.3% |
| Information | 53.4 | 53.4 | 56.0 | 53.5 | 56.2 | -4.9% | -5.8% | 9.6% |
| Financial Activities | 99.1 | 98.7 | 100.3 | 98.9 | 100.8 | -1.9% | 1.5% | 0.3% |
| Professional & Business Services | 219.7 | 217.8 | 230.9 | 218.5 | 232.2 | -5.9% | 3.8% | 7.0% |
| Education & Health Services | 158.2 | 158.6 | 156.9 | 157.9 | 156.4 | 1.0% | 3.2% | 2.9% |
| Leisure & Hospitality | 137.5 | 135.0 | 138.3 | 135.9 | 137.2 | -0.9% | 3.0% | 4.5% |
| Other Services | 52.8 | 52.6 | 52.7 | 52.8 | 52.8 | 0.0% | 0.5% | 1.0% |
| Government | 211.4 | 209.9 | 209.6 | 208.2 | 206.9 | 0.6% | 0.7% | 2.4% |
| Federal Gov't | 30.7 | 30.4 | 30.2 | 30.5 | 30.3 | 0.9% | -1.4% | -0.5% |
| State & Local Gov't | 180.7 | 179.5 | 179.4 | 177.7 | 176.6 | 0.6% | 1.1% | 3.1% |
| Colorado | 2,188.2 | 2,178.8 | 2,257.9 | 2,179.8 | 2,263.6 | -3.7% | 2.1% | 3.8% |
| United States | 128,926 | 128,083 | 131,175 | 128,208 | 131,348 | -2.4% | 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

Metro Denver Industry Cluster Headlines

Aerospace: Federal government officials have reconsidered their plans to end work on the Orion spacecraft, which has been a significant driver of jobs and revenue for Jefferson County-based Lockheed Martin Space Systems. The Orion crew vehicle was designed under Constellation, the moon mission project set to be canceled under the administration's proposed 2011 budget. Federal spokespeople say the rocket portion of Constellation will end as planned, but Orion will be repurposed as an escape vehicle that will dock at the International Space Station. Policymakers say the decision to resurrect Orion is a key win for Metro Denver's space community, although Lockheed officials have not yet determined how the project redesign will affect Orion employment.

Other changes in the proposed federal budget will also affect Metro Denver's aerospace cluster. Federal government officials recently canceled Project Keystone, an effort that would have created a new building for Buckley Air Force Base tenant Aerospace Data Facility Colorado. Despite the cancellation, officials say plans for new construction at the base are still on track. Congressional sources say the federal government will seek funding during the next fiscal year to build permanent office space for more than 500 base personnel currently working in temporary trailers. If the project receives federal funding, construction work could begin in 2012.

Boulder-based Ball Aerospace & Technologies Corp. recently announced a contract award from the U.S. Navy for work on the Geosat Follow-on 2 (GFO-2) ocean altimetry satellite. Ball launched the first GFO satellite – which relays ocean measurements used in battle tactics decisions – in 1998. Under the \$5.5 million GFO-2 contract, Ball

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will upgrade the original model with improved radar systems and will provide software and other services. Ball spokespeople say GFO-2 should launch in 2014.

Aviation: Spokespeople for Indianapolis-based Republic Airways say they will retain the Frontier Airlines brand when they combine the carrier with Midwest Airlines. The Frontier name and the carrier's signature "tail animals" will gradually replace the Midwest brand as the combined airlines undertake a conversion that could cost as much as \$20 million. The combined brand will retain select parts of the Midwest trademark, including a slogan and the carrier's practice of serving warm cookies in-flight.

Merger activity is also affecting other carriers with a major Denver presence. United Airlines, the largest carrier at Denver International Airport (DIA), will merge with Continental Airlines if a \$3.2 billion stock-swap deal receives regulatory approval. Because the carriers have only minimal overlap in their domestic routes and no overlap to international destinations, analysts expect the deal will not result in widespread job cuts. Metro Denver passengers, they say, could benefit if the merger brings more domestic and international flights to DIA.

United Airlines spokespeople also announced the maiden voyage of the first commercial jet powered by synthetic fuel. "RenJet" synthetic fuel – manufactured by Rentech Inc. – powered an aircraft that left DIA on Friday, April 30 for a test flight that allowed researchers to evaluate the new fuel's performance. Jet engines need no modifications to use RenJet.

Bioscience: Boulder-based Array BioPharma recently announced a critical licensing deal with Swiss pharmaceutical company Novartis. Under the deal – valued at as much as \$467 million – Novartis will receive the right to sell several of Array's anti-cancer drugs. The first in the series of drugs is currently undergoing clinical testing.

Broadcasting & Telecommunications: Spokespeople for Denver-based Qwest Communications International Inc. recently announced the company's plans to merge with Monroe, Louisiana-based CenturyTel Inc. Once the merger deal receives shareholder and regulatory approval, the combined company will locate its headquarters in Monroe and will serve 17 million phone lines and five million broadband customers in 37 states. Qwest spokespeople say the move will result in staff reductions and job relocation, but they have not provided further specifics on the merger's job impacts. According to CenturyTel spokespeople, Metro Denver could retain a large number of Qwest jobs under a business model focused on local markets. The combined company's business services division will be located in Metro Denver, but officials have not yet decided whether to renew the existing Qwest lease at 1801 California Street.

A second telecommunications deal should help increase employment, though not necessarily in Metro Denver. Spokespeople for Denver-based data center operator ViaWest say the company will be sold to Oak Hill Capital Partners in a deal that should help ViaWest grow. The company – which has 120 employees and four data centers in Colorado – hopes to add new centers in Dallas, Austin, and Las Vegas.

Cleantech: Each of three Metro Denver companies recently received a \$70,000 grant award from the U.S. Environmental Protection Agency's Small Business Innovation Research Program. Boulder-based Eltron Research Inc. and two Wheat Ridge-based companies – Air Quality Design Inc. and TDA Research Inc. – will use the awards to develop clean energy and pollution abatement technologies. Air Quality Design plans to develop an air particle measurement system that could help air management agencies understand pollution. TDA Research will develop and test a diesel fuel derived from biomass. Eltron Research will design a process for removing nitrogen oxide pollutants from diesel exhaust.

Other recently announced contract awards will drive additional research and development in Metro Denver's cleantech cluster. Two Metro Denver entities were among a group selected by the U.S. Department of Energy to receive awards under a \$106 million round of grant funding. Boulder-based OPX Biotechnologies, Inc. received a \$6 million grant that will go towards development of a microbe-manufactured, biodiesel-type fuel that could be

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used for aircraft. The University of Colorado at Boulder (CU-Boulder) received a \$3.1 million award that researchers will use to develop advanced membranes that trap carbon dioxide pollutants.

Earlier in April, CU-Boulder announced another Department of Energy grant that will allow the university to establish a graduate program focused on smart-grid technology. The engineering program will cover networking, cyber security, and other issues related to the new technology and will offer a master's degree and a certificate program.

Government contracts will likely continue as a key source of funding for clean energy companies, but demand from the private sector is also increasing. Vestas Wind Systems A/S – the Danish parent company of Windsor-based Vestas Americas – recently announced the company's largest-ever single order. Portuguese utility EDP Renováveis, the world's largest wind energy company, placed the \$2.9 billion order for turbines that will produce as many as 1,500 megawatts of wind power. Vestas will deliver the turbines to projects in Europe and in North and South America, but Vestas spokespeople have not determined if the company's Colorado facilities will be involved in the order. They did note, however, that a first quarter hiatus on production at the Vestas plant in Windsor has been lifted and manufacturing work has resumed.

Financial Services: Spokespeople for Allstate Corp. say the insurance company will continue to add agents in Colorado. The company added 30 Colorado agents in 2009 and hopes to recruit more than 50 new agent-owners this year.

IT Software: San Francisco-based software developer Pivotal Labs Inc. recently opened an office in Boulder. The company creates software for startup companies and acts as a development consultant, and spokespeople say Pivotal's Boulder employment should increase from six workers to as many as 30 workers over the next several months.

Employment Outlook

Results from the most recent *Manpower Employment Outlook Survey* suggest the nation's employers may gradually add more workers. Roughly 16 percent of nationwide survey respondents said they would add jobs in the second quarter, and eight percent said they would cut jobs. Those figures yield a net employment outlook of a positive eight percent, which in turn suggests that one in twelve U.S. employers will add jobs over the next three months. Analysts say the survey results show the nation's labor market slowly gaining momentum, but they caution that uninterrupted – and stronger – hiring activity will be necessary to heal labor markets.

Regional Manpower survey data suggest Metro Denver employers are taking a cautious approach to hiring. Roughly 13 percent of employers in the Denver-Aurora-Broomfield MSA and 10 percent of employers in the Boulder MSA reported plans to hire in the second quarter. When adjusted for the percentage of employers planning layoffs, the net employment outlook for the Denver-Aurora-Broomfield MSA is a positive four percent, and the net outlook for the Boulder MSA is a positive two percent. Put another way, roughly one in 25 employers in the Denver-Aurora-Broomfield MSA plans to add jobs in the second quarter, and one in 50 Boulder employers will add positions. Nearly three-quarters of employers in the nationwide and Metro Denver regional surveys said they would not change their staffing levels in the second quarter.

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Employment Outlook Survey

| | Quarter 2 2010 | Quarter 1 2010 | Quarter 2 2009 | YTD Avg 2010 | YTD Avg 2009 | Ann Avg 2005 |
|---------------------------------|-------------------|-------------------|-------------------|-----------------|-----------------|-----------------|
| Denver-Aurora MSA | | | | | | |
| Percent of Companies Hiring | 13% | 8% | 10% | 11% | 13% | 29% |
| Percent of Companies Laying Off | 9% | 11% | 13% | 10% | 13% | 7% |
| Percent of Companies No Change | 74% | 75% | 73% | 75% | 72% | 61% |
| Percent of Companies Unsure | 4% | 6% | 4% | 5% | 4% | 3% |
| Boulder MSA | | | | | | |
| Percent of Companies Hiring | 10% | 15% | 14% | 13% | 16% | 29% |
| Percent of Companies Laying Off | 8% | 11% | 15% | 10% | 14% | 8% |
| Percent of Companies No Change | 73% | 70% | 66% | 72% | 66% | 58% |
| Percent of Companies Unsure | 9% | 4% | 5% | 7% | 5% | 6% |

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.

Revised unemployment figures show Metro Denver's unemployment rate measured 8.2 percent in March and in the prior two months. Underlying data suggest the region's labor force has been growing at a pace roughly equivalent to the pace of job creation over the past several months, so the region's overall unemployment rate has remained unchanged. This sort of trend – and even increases – in the unemployment rate could continue in the months ahead, because better job prospects will draw more individuals into the region's labor force.

March unemployment rates in each of the seven Metro Denver counties ranged from 6.4 percent in Boulder County to 9.9 percent in Adams County. Colorado's unemployment rate rose to 8.4 percent in March, and the nationwide rate declined slightly to 10.2 percent.

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

| | Mar 2010 (p) | | 2010 YTD Avg | | 2009 YTD Avg | | 2005 Ann Avg | 2000 Ann Avg |
|-------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|-------------------|-------------------|
| | Labor Force | Unemployment Rate | Labor Force | Unemployment Rate | Labor Force | Unemployment Rate | Unemployment Rate | Unemployment Rate |
| Metro Denver | 1,495.9 | 8.2% | 1,490.8 | 8.2% | 1,530.2 | 7.8% | 5.2% | 2.6% |
| Adams County | 222.1 | 9.9% | 221.2 | 9.8% | 226.3 | 9.1% | 5.8% | 2.8% |
| Arapahoe County | 303.1 | 8.1% | 302.0 | 8.1% | 310.4 | 7.7% | 5.2% | 2.4% |
| Boulder County | 172.1 | 6.4% | 171.8 | 6.5% | 175.2 | 6.4% | 4.5% | 2.4% |
| Broomfield County | 29.8 | 7.4% | 29.7 | 7.4% | 30.6 | 7.2% | 4.9% | 2.4% |
| Denver County | 315.7 | 9.3% | 314.4 | 9.1% | 323.0 | 8.8% | 5.8% | 3.0% |
| Douglas County | 154.5 | 6.5% | 154.2 | 6.6% | 159.1 | 6.6% | 4.2% | 2.1% |
| Jefferson County | 298.6 | 8.0% | 297.6 | 8.0% | 305.7 | 7.6% | 5.0% | 2.4% |
| Colorado | 2,645.4 | 8.4% | 2,640.0 | 8.3% | 2,714.1 | 7.8% | 5.1% | 2.7% |
| United States | 153,660 | 10.2% | 153,270 | 10.4% | 153,659 | 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 declined between February and March. The March average was the lowest reported for any month since October 2008, and the average count of Metro Denver claims for the first quarter fell 21.7 percent below the average for the first quarter of 2009. Similarly, the monthly average number of claims filed statewide during the first quarter fell 21.7 percent below the first quarter 2009 average.

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Weekly First-Time Unemployment Insurance Claims

| | Month of Mar-10 | Month of Feb-10 | Month of Mar-09 | YTD Avg 2010 | YTD Avg 2009 | YTD Avg % Change |
|--------------|--------------------|--------------------|--------------------|-----------------|-----------------|---------------------|
| Metro Denver | 2,099 | 2,183 | 2,711 | 2,233 | 2,850 | -21.7% |
| Colorado | 3,790 | 3,956 | 5,150 | 4,084 | 5,213 | -21.7% |

*Note: Reference week data includes the 19th day of the month for all months except November and December, which include the 12th day of the month.
Source: Colorado Department of Labor and Employment, Labor Market Information.*

Consumer Sector

The Conference Board's U.S. Consumer Confidence Index rose for the second consecutive month in April. While the share of consumers that describe current business conditions as "good" remains below ten percent, the share rose in April to the highest level reported in at least 12 months. Similarly, consumers' short-term outlook on labor markets is increasingly – but cautiously – optimistic. The percentages of respondents who expect more and fewer jobs in the next six months were roughly equal in April, but a majority (62 percent) expect the jobs outlook will remain unchanged. *The Mountain Region Consumer Confidence Index rose between March and April as local survey respondents reported significantly better assessments of current conditions and improved six-month outlooks.*

Consumer Confidence Index

| | Month of Apr-10 (p) | Month of Mar-10 | Month of Apr-09 | YTD Avg 2010 | YTD Avg 2009 | YTD Avg % Change | Ann Avg 2005 |
|---------------|------------------------|--------------------|--------------------|-----------------|-----------------|---------------------|-----------------|
| Mountain | 57.1 | 43.8 | 41.1 | 51.9 | 35.7 | 45.5% | 120.3 |
| United States | 57.9 | 52.3 | 40.8 | 53.3 | 32.6 | 63.4% | 100.3 |

Source: The Conference Board. (p) = preliminary

U.S. retail sales rose more than expected in March as consumers bought cars, clothes, and other items not prioritized during recession. Data from the U.S. Department of Commerce show total retail sales rose 1.6 percent between February and March, and the March sales total was 7.1 percent higher than sales from March 2009. While part of the robust year-over-year gain reflects the weakness of sales last spring, analysts say the March increase also shows a real consumer desire to "restock" following the downturn. Many economists believe, though, that stronger job gains will be necessary in the coming months to sustain growth in retail sales.

Metro Denver retail sales showed signs of improvement in early 2010. The region's total retail sales in January rose 0.5 percent above the year-ago sales total, and sales in five of the seven counties also rose over-the-year. Statewide retail sales were still declining as of January, with sales for the month down 1.7 percent from the year-ago total.

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Total Retail Sales (\$000s)

| | Month of Jan -10 | Month of Dec-09 | Month of Jan-09 | YTD Total 2010 | YTD Total 2009 | YTD Total % Change | Annual Growth 2005 | Annual Growth 2000 |
|--------------------|---------------------|--------------------|--------------------|-------------------|-------------------|-----------------------|--------------------------|--------------------------|
| Total Metro Denver | 5,883,733 | 10,592,077 | 5,852,118 | 5,883,733 | 5,852,118 | 0.5% | 7.8% | 12.5% |
| Adams County | 905,362 | 1,399,407 | 946,383 | 905,362 | 946,383 | -4.3% | 16.6% | 9.3% |
| Arapahoe County | 1,152,971 | 2,195,387 | 1,149,291 | 1,152,971 | 1,149,291 | 0.3% | 6.6% | 14.2% |
| Boulder County | 579,732 | 1,353,275 | 599,330 | 579,732 | 599,330 | -3.3% | 9.0% | 10.5% |
| Broomfield County | 97,885 | 213,047 | 88,107 | 97,885 | 88,107 | 11.1% | -31.5% | N/A |
| Denver County | 1,777,296 | 2,965,936 | 1,734,195 | 1,777,296 | 1,734,195 | 2.5% | 10.4% | 13.4% |
| Douglas County | 450,908 | 877,434 | 443,905 | 450,908 | 443,905 | 1.6% | 13.5% | 16.5% |
| Jefferson County | 919,579 | 1,587,591 | 890,907 | 919,579 | 890,907 | 3.2% | 2.4% | 10.8% |
| Colorado | 9,859,444 | 18,409,528 | 10,026,217 | 9,859,444 | 10,026,217 | -1.7% | 8.4% | 10.8% |

Source: Colorado Department of Revenue.

While several data sources show U.S. retail sales beginning to accelerate, many analysts feel prices will be slow to follow. Oil prices – a key factor in overall price trends – have been rising on stronger economic indicators and the normal seasonal shift in fuel formulas. The increase, however, has been slower than in previous years. According to the U.S. Bureau of Labor Statistics, the March Consumer Price Index for all items rose 0.1 percent above the prior month's level, primarily because prices for fresh fruits and vegetables rose considerably. The less-volatile price index for all items except food and energy, however, suggests that current price pressures are slight. That index, known as "core" CPI, rose 1.1 percent between March 2009 and 2010.

While slower than average, the seasonal increase in oil prices is still showing at the pump. According to the AAA *Daily Fuel Gauge Report*, the April national average price of regular gasoline rose roughly ten cents per gallon from the March average and ended the month at \$2.88. At this time last year, the nationwide price of gasoline averaged a much lower \$2.05 per gallon as the recession heightened. In Metro Denver, the April average price per gallon of regular gasoline (\$2.69) rose roughly four cents from the March average but was almost 68 cents higher than the year-ago price.

The fundamentals in Metro Denver's hotel market continue to improve. The region's March average occupancy rate reached 58 percent, up from the year-ago level of 55.5 percent. The average occupancy rate for all of first quarter was 5.7 percent higher than the rate for the first quarter of 2009, although average room rates have yet to recover. The March average room rate (\$104.60) was 0.7 percent below the year-ago average, and the average rate for the entire first quarter was 4.1 percent lower than the average for the first quarter of 2009.

Metro Denver Hotel Statistics

| | Month of Mar-10 | Month of Feb-10 | Month of Mar-09 | YTD Avg 2010 | YTD Avg 2009 | YTD Avg % Change | Annual 2005 | Annual 2000 |
|---------------------------------|--------------------|--------------------|--------------------|-----------------|-----------------|---------------------|----------------|----------------|
| Percent of Hotel Rooms Occupied | 58.0% | 56.7% | 55.5% | 55.3% | 52.3% | 5.7% | 64.1% | 68.6% |
| Average Hotel Room Rate | \$104.60 | \$99.56 | \$105.36 | \$101.14 | \$105.42 | -4.1% | \$91.10 | \$89.57 |

Source: Rocky Mountain Lodging Report.

February passenger traffic at Denver International Airport rose 5.1 percent over-the-year. The higher February figure drove a four percent year-to-date increase in total passengers.

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Denver International Airport Passengers

| | Month of Feb-10 | Month of Jan-10 | Month of Feb-09 | YTD Total 2010 | YTD Total 2009 | YTD Total % Change | Annual 2005 | Annual 2000 |
|---------------------------------|--------------------|--------------------|--------------------|-------------------|-------------------|-----------------------|----------------|----------------|
| Number of Airline Passengers | 3,700,975 | 3,776,403 | 3,521,618 | 7,477,378 | 7,191,297 | 4.0% | 43,387,369 | 38,751,687 |

Source: Denver International Airport, Traffic Statistics.

Stock markets ended an otherwise strong April on a weak note as first quarter estimates of GDP growth fell below some forecasts and financial market fraud investigations continued. Despite these challenges, the Bloomberg Colorado index showed a 19.8 percent gain year-to-date. Year-to-date gains for the major national indexes ranged from 5.6 percent for the Dow Jones Industrial average to 8.5 percent for the NASDAQ.

Stock Market Indexes

| | Month of Apr-10 | Month of Mar-10 | Month of Apr-09 | YTD Return 2010 | YTD Return 2009 | Ann Avg Return 2005 |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------------|
| Bloomberg Colorado | 386.1 | 349.0 | 235.0 | 19.8% | 6.6% | 16.9% |
| S&P 500 | 1,186.7 | 1,169.4 | 872.8 | 6.4% | -3.4% | 3.0% |
| NASDAQ | 2,461.2 | 2,398.0 | 1,717.3 | 8.5% | 8.9% | 1.4% |
| DJIA (Dow Jones) | 11,006.9 | 10,856.6 | 8,168.1 | 5.6% | -6.9% | -0.6% |

Sources: Bloomberg.com, Yahoo! Finance

Residential Real Estate

Home Resales

U.S. existing home sales rose 6.8 percent between February and March, according to data from the National Association of Realtors (NAR). March was the ninth consecutive month in which home sales rose above the year-ago level, and unsold inventory has now declined for 20 consecutive months. While the now-expired homebuyers' tax credits were a major factor behind recent gains in home sales, NAR economists say stabilizing home values and gradual improvements in homebuyer confidence will be enough to sustain the housing recovery going forward. March home sales in each of the four U.S. regions increased from February, and March sales rose over the year by anywhere from 13.9 percent in the South to 25.4 percent in the Northeast.

The count of Metro Denver existing home sales nearly doubled between February and March as local buyers rushed to receive tax credits. The March sales total was 12.4 percent higher than the year-ago sales level, and the month's brisk activity helped home sales for the entire first quarter rise 2.8 percent above sales from the first quarter of 2009. Better home sales activity has also contributed to higher home prices. The Metro Denver average selling price for single-family homes in March was 9.3 percent above the year-ago average, and the average selling price for condominiums rose four percent over-the-year.

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Previously-Owned Home Sales Activity

| | Month of Mar-10 | Month of Feb-10 | Month of Mar-09 | YTD Total 2010 | YTD Total 2009 | YTD Total % Change | Ann Avg 2005 | Ann Avg 2000 |
|-----------------------------------|--------------------|--------------------|--------------------|-------------------|-------------------|-----------------------|-----------------|-----------------|
| Home Sales (Under Contract) | 5,907 | 4,414 | 4,826 | 14,011 | 12,840 | 9.1% | 65,256 | 37,130 |
| Home Sales (Closed) | 3,602 | 2,436 | 3,206 | 8,391 | 8,159 | 2.8% | 53,106 | 48,611 |
| Unsold Homes on Market | 20,030 | 18,869 | 20,628 | 20,030 | 20,628 | -2.9% | 23,092 | 8,820 |
| Average Sales Price-Single Family | \$274,950 | \$269,688 | \$251,583 | \$269,364 | \$240,931 | 11.8% | \$307,529 | \$239,779 |
| Average Sales Price-Condo | \$157,830 | \$166,206 | \$151,716 | \$160,180 | \$146,709 | 9.2% | \$189,035 | \$145,197 |
| Median Sales Price-Single Family | \$229,000 | \$220,750 | \$203,950 | \$222,000 | \$194,000 | 14.4% | \$247,000 | \$195,000 |
| Median Sales Price-Condo | \$131,579 | \$132,500 | \$128,500 | \$131,329 | \$119,947 | 9.5% | \$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

Driven by stronger home sales, the nationwide median home price rose in March to a level (\$170,700) that was 0.4 percent higher than the year-ago median price. The March median home price increased over-the-year by the largest margin in the Northeast (+8.9 percent), and the median price in the Midwest rose by the smallest margin (+0.2 percent). The West was the only U.S. region to report an over-the-year decline (-7.9 percent) in the March median home price.

According to a second NAR data set, 67 metro areas reported an increase in median home price between the fourth quarters of 2008 and 2009. The increases in median home price for the Denver-Aurora-Broomfield and Boulder MSAs – 11.2 percent and 3.2 percent, respectively – ranked 16th and 45th largest. Unlike the medians in the Metro Denver MSAs, the nationwide median home price and the median price in 83 other metro areas declined between the fourth quarters of 2008 and 2009.

The nationwide median for all of 2009 (\$173,200) was down nearly 12 percent over-the-year, while the median in the Boulder MSA (\$346,000) fell a much smaller 3.8 percent. Price trends were stronger in the Denver-Aurora-Broomfield MSA, where the 2009 median price of \$219,900 represented a slight, 0.3 percent increase from the 2008 median. The Denver-Aurora MSA was one of 24 metropolitan areas to report an increase in median home price between 2008 and 2009, and the region's median price ranked 26th highest in the nation. The Boulder MSA's 2009 median home price ranked 11th highest overall. The National Association of Realtors will release median home prices for the first quarter of 2010 on May 11.

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

| | Quarter 4 2009 (p) | Quarter 3 2009 (r) | Quarter 4 2008 | YTD Avg 2009 | YTD Avg 2008 | YTD Avg % Change | Median 2004 | Median 1999 |
|------------------------------|-----------------------|-----------------------|-------------------|-----------------|-----------------|---------------------|----------------|----------------|
| Boulder-Longmont MSA | \$335.1 | \$358.3 | \$324.7 | \$346.0 | \$359.6 | -3.8% | \$325.3 | n/a |
| Denver-Aurora-Broomfield MSA | \$223.2 | \$229.1 | \$200.8 | \$219.9 | \$219.3 | 0.3% | \$239.1 | \$171.3 |
| United States | \$172.9 | \$178.2 | \$180.2 | \$173.2 | \$196.6 | -11.9% | \$195.2 | \$141.2 |

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

The annual rates of return on S&P/Case-Shiller's 10-City and 20-City Composite Home Price Indices turned positive in February for the first time since December 2006. Eleven of the 20 metro area indices still showed negative annual returns in February, but the Denver index was among the remaining nine with a February reading higher than the year-ago level. The Denver index for February rose 3.6 percent over-the-year, and the gain was exceeded only by gains in Los Angeles, San Diego, San Francisco, and Washington, DC.

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Foreclosures

While many reports on home sales and prices have been positive, other data show foreclosures drifting higher. Metro Denver public trustees reported a 3.6 percent increase in foreclosure filings between the first quarters of 2009 and 2010. Filings during that period increased the most in Boulder County (+17.2 percent) and Douglas County (+15.8 percent). Adams County and the City and County of Denver were the only two Metro Denver counties where filings through the first three months of the year declined from filings in the same months of 2009.

Real Estate Foreclosures

| | Month of Mar-10 | Month of Feb-10 | Month of Mar-09 | YTD Total 2010 | YTD Total 2009 | YTD Total % Change | Annual Total 2005 |
|---------------------|--------------------|--------------------|--------------------|-------------------|-------------------|-----------------------|-------------------------|
| Total Metro Denver* | 2,493 | 2,015 | 2,384 | 6,262 | 6,047 | 3.6% | 14,335 |
| Adams County | 531 | 395 | 515 | 1,308 | 1,327 | -1.4% | 3,281 |
| Arapahoe County | 590 | 498 | 492 | 1,490 | 1,334 | 11.7% | 3,600 |
| Boulder County | 124 | 110 | 121 | 341 | 291 | 17.2% | 619 |
| Broomfield County | 28 | 24 | 22 | 75 | 70 | 7.1% | 124 |
| Denver County | 566 | 424 | 612 | 1,416 | 1,524 | -7.1% | 3,713 |
| Douglas County | 288 | 237 | 194 | 666 | 575 | 15.8% | 878 |
| Jefferson County | 366 | 327 | 428 | 966 | 926 | 4.3% | 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 March count of U.S. properties with foreclosure filings was roughly eight percent higher than the count reported in March 2009. The count of filings associated with the final stage of foreclosure rose more rapidly in the first quarter than it has in the past, a shift that RealtyTrac analysts say reflects banks finally making progress through a glut of filings.

New Homes

Data from the U.S. Department of Commerce show U.S. new home sales spiked between February and March as weather improved and buyers rushed to finalize deals before the tax credit deadline. Sales in March were 26.9 percent higher than February sales and 23.8 percent higher than sales from March 2009. While sales increased between February and March in each U.S. region, sales gains in the Northeast and South were responsible for more than 90 percent of the total U.S. increase. Sales in the Midwest rose 4.3 percent between February and March, and sales in the West rose 5.7 percent.

Better home sales trends are energizing the battered market for new homes. A separate Department of Commerce report shows U.S. new home starts rose 1.6 percent between February and March, and the March count of starts was 20.2 percent higher than the year-ago count. Building permits – a leading indicator of construction activity – rose 7.5 percent between February and March, and the March count of permits was 34.1 percent higher than the count of permits issued one year prior.

Homebuilder confidence has also risen significantly. The National Association of Homebuilders (NAHB)/Wells Fargo Housing Market Index rose in April to the highest level reported since September 2009. Builders' more positive assessments of the current market were largely behind the increase, but builders' six-month outlooks are somewhat weaker. According to NAHB economists, builders remain concerned about foreclosures, appraisal problems, and limited credit for new housing projects.

The count of Metro Denver permits for single-family detached homes in February was nearly three times the count from February 2009, and the count of permits for condominiums and townhomes nearly doubled over-the-

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year. The year-to-date count of Metro Denver permits for all types of residential housing rose 34.2 percent in February from the count for the first two months of 2009.

Residential Building Permits

| | Month of Feb-10 | Month of Jan-10 | Month of Feb-09 | YTD Total 2010 | YTD Total 2009 | YTD Total % Change | Total 2005 | Total 2000 |
|------------------------------|--------------------|--------------------|--------------------|-------------------|-------------------|-----------------------|---------------|---------------|
| Single-Family Detached Units | 356 | 226 | 133 | 582 | 273 | 113.2% | 15,778 | 15,873 |
| Single-Family Attached Units | 71 | 45 | 40 | 116 | 104 | 11.5% | 4,642 | 3,321 |
| Multi-Family Units | 35 | 0 | 149 | 35 | 169 | -79.3% | 459 | 9,116 |
| Total Units | 462 | 271 | 322 | 733 | 546 | 34.2% | 20,879 | 28,310 |

Source: Home Builders Association of Metro Denver.

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

A first quarter Grubb & Ellis report suggests Metro Denver's office market is beginning to stabilize. Vacancy rates are still rising as the recoveries for corporate profits and the labor market are still in their infancy, but the pace of vacancy increases has slowed significantly. The decline in lease rates has also slowed and should be nearing bottom, particularly as property owners exhaust all available concessions. Overall, the report expects Metro Denver's office market will need 18 months to two years before vacancy and lease rates return to normal levels. In the meantime, Grubb & Ellis expects a diverse industry base – including aerospace, telecommunications, and other growing sectors – and continued interest from out-of-state companies will help the market heal. DaVita Inc., for example, recently signed a short-term downtown lease and is proceeding with plans for a new headquarters building. New construction planned near the Union Station redevelopment is also

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attracting office tenants, and spokespeople for IMA Financial say the company will be the anchor tenant for the redevelopment's first office building.

According to CoStar Realty Information, Inc., the total square footage of Metro Denver office space under construction during the first quarter of 2010 was roughly one-third the volume under construction in the first quarter of 2008. Other first quarter fundamentals – while not greatly improved from prior quarters' levels – were more encouraging. The Metro Denver direct office market vacancy rate fell from 13.9 percent in the fourth quarter of 2009 to a first quarter level of 13.7 percent, or the same rate reported one year prior. The first quarter direct average lease rate of \$20.03 per square foot was 5.7 percent lower than the year-ago rate.

Office Market Statistics

| | Quarter 1 2010 | Quarter 4 2009 | Quarter 1 2009 | Quarter 1 2008 | Quarter 1 2007 | Quarter 1 2006 |
|--|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Number of Buildings | 5,424 | 5,406 | 5,393 | 5,329 | 5,253 | 5,206 |
| Existing Square Feet (millions) | 163.0 | 162.8 | 161.8 | 159.0 | 157.7 | 156.0 |
| Vacant Square Feet (direct, millions) | 22.4 | 22.7 | 22.1 | 19.0 | 20.1 | 20.6 |
| Vacancy Rate (direct) | 13.7% | 13.9% | 13.7% | 11.9% | 12.8% | 13.2% |
| Vacancy Rate (with sublet) | 14.6% | 14.9% | 14.9% | 12.7% | 13.6% | 14.4% |
| Avg. Lease Rate (direct, per sq. ft, full service) | \$20.03 | \$20.08 | \$21.24 | \$21.48 | \$19.75 | \$17.45 |
| New Construction Completed (year-to-date) | 0.01 MSF, 1 Bldg | 1.56 MSF, 22 Bldgs | 0.40 MSF, 9 Bldgs | 0.08 MSF, 8 Bldgs | 0.34 MSF, 5 Bldgs | 0.18 MSF, 9 Bldgs |
| Currently Under Construction | 1.16 MSF, 7 Bldgs | 1.17 MSF, 8 Bldgs | 1.85 MSF, 24 Bldgs | 3.49 MSF, 65 Bldgs | 2.23 MSF, 76 Bldgs | 1.21 MSF, 31 Bldgs |

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

According to a first quarter report by Grubb & Ellis, improvements in Metro Denver's industrial market vacancy rates have outpaced improvements in the office market following each of the prior three recessions. The report expects the current recession will follow the same pattern and notes that the region's industrial market is already showing signs of strength. Metro Denver's industrial market vacancy rate declined in the first quarter, and low property prices have prompted many tenants to purchase space. These purchases, in turn, have helped drive positive absorption. Overall, the report expects Metro Denver will be one of the nation's most rapidly recovered industrial markets, although complete recovery for rental rates is likely several quarters away.

Data from CoStar Realty Information, Inc. show the direct industrial market vacancy rate declined slightly to 6.7 percent in the first quarter of 2010, and the market's direct average lease rate of \$4.75 per square foot was seven percent below the year-ago level. Industrial market construction in the first quarter was more or less at a standstill, much as it has been for the past year.

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Industrial Market Statistics

| | Quarter 1 2010 | Quarter 4 2009 | Quarter 1 2009 | Quarter 1 2008 | Quarter 1 2007 | Quarter 1 2006 |
|--|---------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| Number of Buildings | 6,723 | 6,705 | 6,702 | 6,674 | 6,614 | 6,564 |
| Existing Square Feet (millions) | 214.7 | 214.5 | 214.4 | 212.4 | 209.6 | 207.5 |
| Vacant Square Feet (direct, millions) | 14.3 | 14.5 | 14.8 | 12.8 | 13.0 | 15.6 |
| Vacancy Rate (direct) | 6.7% | 6.8% | 6.9% | 6.0% | 6.2% | 7.5% |
| Vacancy Rate (with sublet) | 7.0% | 7.0% | 7.3% | 6.3% | 6.5% | 7.9% |
| Avg. Lease Rate (direct, per square foot, NNN) | \$4.75 | \$4.83 | \$5.11 | \$5.16 | \$4.96 | \$4.79 |
| New Construction Completed (year-to-date) | 0.01 MSF, 1 Bldg | 0.23 MSF, 6 Bldgs | 0.11 MSF, 2 Bldgs | 0.28 MSF, 10 Bldgs | 0.07 MSF, 2 Bldgs | 0.73 MSF, 6 Bldgs |
| Currently Under Construction | 0.02 MSF, 1 Bldg | 0.03 MSF, 2 Bldgs | 0.06 MSF, 1 Bldg | 1.26 MSF, 15 Bldgs | 2.49 MSF, 28 Bldgs | 0.83 MSF, 17 Bldgs |

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

Flex Space Statistics

| | Quarter 1 2010 | Quarter 4 2009 | Quarter 1 2009 | Quarter 1 2008 | Quarter 1 2007 | Quarter 1 2006 |
|--|-------------------|----------------------|----------------------|-----------------------|----------------------|-----------------------|
| Number of Buildings | 1,353 | 1,352 | 1,345 | 1,320 | 1,298 | 1,279 |
| Existing Square Feet (millions) | 37.9 | 37.9 | 37.7 | 36.8 | 36.2 | 35.7 |
| Vacant Square Feet (direct, millions) | 5.7 | 5.6 | 5.4 | 4.2 | 4.7 | 4.5 |
| Vacancy Rate (direct) | 14.9% | 14.7% | 14.2% | 11.5% | 12.9% | 12.6% |
| Vacancy Rate (with sublet) | 15.5% | 15.4% | 14.9% | 12.2% | 13.5% | 13.2% |
| Avg. Lease Rate (direct, per square foot, NNN) | \$9.66 | \$9.54 | \$9.59 | \$9.38 | \$8.72 | \$8.38 |
| New Construction Completed (year-to-date) | 0 MSF, 0 Bldgs | 0.30 MSF, 9 Bldgs | 0.06 MSF, 3 Bldgs | 0.26 MSF, 5 Bldgs | 0 MSF, 0 Bldgs | 0.02 MSF, 1 Bldg |
| Currently Under Construction | 0 MSF, 0 Bldgs | 0 MSF, 0 Bldgs | 0.22 MSF, 5 Bldgs | 0.35 MSF, 15 Bldgs | 0.11 MSF, 3 Bldgs | 0.50 MSF, 13 Bldgs |

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

A first quarter report by Grubb & Ellis notes that better-than-expected holiday sales made for a smaller-than-expected number of store closures in early 2010. Empty big-box space is still pressuring vacancy rates in some Metro Denver power centers, and early stability in retail sales will need to persist before retail markets can truly stabilize. In the meantime, very limited construction activity should help support the overall retail recovery.

Metro Denver's retail market showed early signs of stability in the first quarter of 2010. CoStar data show the market's direct vacancy rate declined in the first quarter to 8.5 percent, or a rate similar to the year-ago level. The market's total vacancy rate also declined slightly, but further improvement will be necessary before average lease rates begin to recover and building activity rebounds. The first quarter direct average lease rate of \$16.23 per square foot was 3.6 percent lower than the year-ago average. Construction volume fell more significantly, with the total square footage of retail space under construction in the first quarter roughly equal to one-tenth the construction volume reported in the first quarter of 2008.

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Retail Market Statistics

| | Quarter 1 2010 | Quarter 4 2009 | Quarter 1 2009 | Quarter 1 2008 | Quarter 1 2007 | Quarter 1 2006 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------|
| Number of Buildings | 8,772 | 8,725 | 8,679 | 8,524 | 8,416 | 8,258 |
| Existing Square Feet (millions) | 155.3 | 154.7 | 153.4 | 149.5 | 147.1 | 143.4 |
| Vacant Square Feet (direct, millions) | 13.2 | 13.4 | 13.1 | 10.4 | 10.3 | 9.9 |
| Vacancy Rate (direct) | 8.5% | 8.7% | 8.6% | 7.0% | 7.0% | 6.9% |
| Vacancy Rate (with sublet) | 8.8% | 9.0% | 9.0% | 7.2% | 7.2% | 7.1% |
| Avg. Lease Rate (direct, per square foot, NNN) | \$16.23 | \$16.30 | \$16.84 | \$16.27 | \$16.56 | \$15.40 |
| New Construction Completed (year-to-date) | 0.03 MSF, 3 Bldgs | 2.06 MSF, 80 Bldgs | 0.68 MSF, 27 Bldgs | 0.20 MSF, 12 Bldgs | 0.38 MSF, 7 Bldgs | N/A |
| Currently Under Construction | 0.43 MSF, 10 Bldgs | 0.53 MSF, 12 Bldgs | 0.33 MSF, 15 Bldgs | 4.40 MSF, 72 Bldgs | 5.79 MSF, 62 Bldgs | N/A |

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

MONTHLY ECONOMIC SUMMARY

Metro Denver Indicator Summary

| Indicator | Monthly/Quarterly Direction | Annual Direction | Summary of Recent Changes |
|---|-----------------------------|------------------|---|
| Nonfarm Employment Growth | ↑ | ↓ | Employment increased 6,700 jobs Feb to Mar; YTD emp. down 3.5% through Mar 2010. |
| % Companies Hiring (Denver Area) | ↑ | ↓ | 13% of companies expect to add workers in Q2 2010 and 74% expect no change. |
| Unemployment Rate | ↔ | ↑ | Metro rate 8.2% in Mar; YTD avg. rate of 8.2% up from 7.8% in 2009. |
| Initial Unemployment Insurance Claims | ↓ | ↓ | Claims decreased Feb to Mar; YTD claims down 21.7% through Mar 2010. |
| Total Retail Sales | ↓ | ↑ | Metro retail decreased Dec to Jan; total sales up 0.5% in Jan 2010 compared to Jan 2009. |
| Consumer Confidence Index | ↑ | ↑ | Mountain Region up to 57.1 in Apr from 43.8 in Mar; index up 45.5% YTD through Apr 2010. |
| Hotel Occupancy | ↑ | ↑ | Hotel occupancy increased from 56.7% in Feb to 58% in Mar; occupancy up 5.7% YTD. |
| DIA Passengers | ↓ | ↑ | Traffic decreased Jan to Feb; traffic up 4% YTD through Feb 2010. |
| Bloomberg Colorado Index | ↑ | ↑ | Bloomberg Colorado Index up 10.6% from Mar to Apr; year-to-date return at 19.8%. |
| Dow Jones Industrial Average | ↑ | ↑ | DOW increased 1.4% Mar to Apr; year-to-date return at 5.6%. |
| Home Sales (closed) | ↑ | ↑ | Home sales increased 47.9% Feb to Mar; YTD sales up 2.8% through Mar. |
| Median Home Price (Denver-Aurora MSA) | ↓ | ↑ | Median home price in Denver MSA down 2.6% Q3 to Q4 2009; YTD price up 0.3% |
| Foreclosures | ↑ | ↑ | Foreclosures increased 23.7% Feb to Mar; YTD up 3.6% through Mar 2010. |
| Residential Building Permits (Total) | ↑ | ↑ | Total permits increased between Jan and Feb; YTD up 34.2% through Feb 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 14.9% to 14.6% in Q1 2010; avg lease rate down to \$20.03/sq.ft. |
| Industrial Vacancy Rate (with Sublet) | ↔ | ↓ | Vacancy rate unchanged at 7% in Q1 2010; avg lease rate down to \$4.75/sq. ft. (NNN) |
| Retail Space Vacancy Rate (with Sublet) | ↓ | ↓ | Vacancy rate down from 9% to 8.8% in Q1 2010; avg. lease rate down to \$16.23/sq. ft. (NNN) |
| <i>Positive Changes</i> | 12 of 18 | 14 of 18 | |



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