



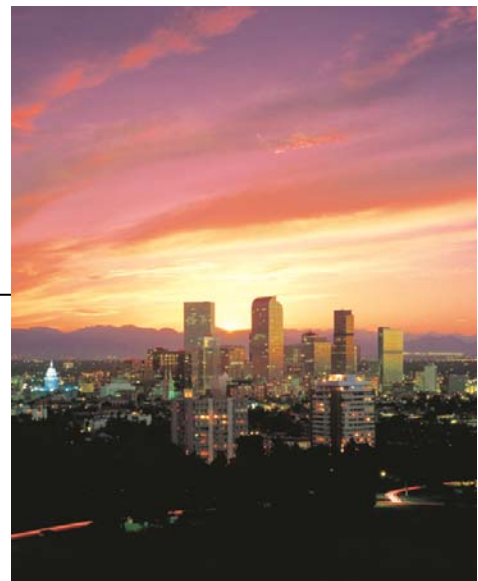
# Monthly Economic Summary

## *A Monthly Summary of Economic Conditions in Metro Denver*

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

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Released March 5, 2014



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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 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

- ◆ *Forbes* released its ranking of the 20 fastest growing cities with population and economic growth as the ranking criteria. The 2014 ranking placed Metro Denver at number six, which is up ten places from the previous year's report. The report accounted for unemployment rates, median salaries for college-educated workers, and job-growth rates.
- ◆ NerdWallet ranked Denver as the seventh best city in America for female entrepreneurs. The factors in the ranking included a city's entrepreneurial climate, the percentage of businesses owned by women, median earnings for female workers, the percentage of residents with a college degree, and the unemployment rate. According to NerdWallet, Denver has there are 11.5 businesses per 100 residents and 30 percent of those companies are run by women.
- ◆ Colorado ranked ninth in the nation for the percentage of students in the class of 2013 who scored a three or higher on Advanced Placement (AP) exams. College Board has been producing the ranking for 10 years and Colorado has ranked in the top 10 nationally for the past seven years. Denver Public Schools received AP Honor Roll recognition for increasing participation of under-represented students in Advanced Placement classes.
- ◆ According to Central Connecticut State University's annual rank of the country's most literate cities with more than 250,000 people, Denver ranked as the sixth most literate city. The ranking is based on six factors: number of bookstores, educational attainment, Internet resources, magazine and journal publishing resources, and newspaper circulation. Within these categories, Denver's highest rank was newspaper circulation.
- ◆ HSH.com, a mortgage information website, ranked Denver as the eighth most expensive location in which to buy a home out of the 25 largest metropolitan areas. According to the study, a salary of at least \$48,123 is needed to cover principal and interest payments on the average-priced home in Denver; property taxes, insurance, and other expenses are no included in the calculation. The most expensive metro area was San Francisco, which required a minimum salary of \$115,510 to afford the average home in that region.
- ◆ According to the Federal Energy Information Administration, Colorado homes and businesses utilize less energy than the national average, and they pay less for it. Colorado is ranked 34th across the country using 294 million BTU per person. Colorado's residential natural gas prices were 30 percent less expensive than the national average in October 2013.
- ◆ The U.S. Green Building Council ranked Colorado eighth among the top 10 states for Leadership in Energy and Environmental Design (LEED) certification. The ranking was based on square footage of LEED certified buildings per capita. Colorado had 124 projects achieve LEED certification in 2013, totaling more than 8.8 million square feet. The Cesar E. Chavez Memorial Building in Denver received gold LEED certification and the Mesa Verde National Park Visitor and Research Center in Mesa Verde received platinum certification.
- ◆ According to ElegantRooms.com, six of the nation's top 10 most expensive ski hotels are located in Colorado. The survey compared luxury hotel rates at U.S. ski resorts through February and March. The most expensive was the Ritz Carlton Bachelor Gulch in Beaver Creek with an average nightly rate of \$1,179. The Little Nell in

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Aspen was third, followed by St. Regis Aspen (sixth), Hotel Jerome in Aspen (seventh), Viceroy Snowmass (ninth), and Park Hyatt Beaver Creek (tenth).

- ◆ According to the top 10 list by Square, Denver consumers tied for second with Austin, TX for being the best tippers in America. The company found that 62 percent of Denver's customers tip where the highest concentration of tippers is in Chicago with 63 percent. According to Square, a San Francisco based mobile payment company, Denver customers have the highest average tip of 16.8 percent compared with the 10 major cities that were ranked.

## Policy Watch

### *National*

- ◆ Through an executive order, President Obama increased the minimum wage for hourly workers from \$7.25 to \$10.10 for federal contract employees. This change to minimum wages will not take effect until next year and it only applies to a few hundred thousand of the nearly two million federal contract employees. The President's order also requires individuals who work for tips to earn \$10.10 overall and protects disabled employees from earning lower wages due to lower individual productivity.
- ◆ The Obama administration extended the employer mandate requirement for companies with 50 to 99 employees under the Affordable Care Act. Companies will have an additional year to comply with the coverage requirement, until January 1, 2016. For businesses with 100 or more employees, the requirement will still take effect in 2015.

### *Local*

- ◆ Lawmakers in the city of Aurora commissioned a study on the costs that would be incurred if Aurora were to become a city-county. The report states the Aurora operating deficit would be roughly \$5 million for the first year and then increase to \$7 million per year thereafter. The overall costs were based on the current city boundaries, constructing new facilities such as a jail, as well as ensuring the city and county were fully staffed. The analysis also included new equipment and staff without the possibility of utilizing current buildings and employees.
- ◆ Denver's Mayor Hancock announced a plan to attract more retail development. The city has allocated \$200,000 of the general fund to be used to recruit big-box retailers and general merchandise stores. With growing concerns of food deserts throughout the city, attracting larger grocery store chains such as King Soopers to under-served areas is also part of the mayor's retail development plan.
- ◆ Colorado became the first state in the nation to include methane gas in air pollution regulations on the oil and gas industry. The tougher regulations adopted in February require companies to detect and fix leaks as well as install devices to capture 95 percent of emissions. Colorado officials stated that these changes were designed to reduce toxic emissions as well as work towards meeting the federal health standards for air, while still being supportive of the energy industry.

## General Economic Overview

The Bureau of Economic Analysis (BEA) released the second estimate of real gross domestic product (GDP) for the fourth quarter of 2013, reporting an annual growth rate of 2.4 percent. This estimate is lower than the initial fourth quarter GDP report of 3.2 percent; though both estimates were lower than the third quarter rate of 4.1 percent. The downward adjustment of the estimate was due to the smaller increase in personal consumption expenditures than was previously estimated. The third estimate by the BEA will be released March 27th.

The Federal Open Market Committee (FOMC) announced it would again scale back its current accommodative policies by \$10 billion per month in asset purchases. The FOMC noted that economic growth picked up in recent

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quarters and labor market conditions were mixed but on track for further improvement. Household spending and business fixed investment advanced, but the housing market slowed in recent months. The FOMC will continue purchasing additional agency mortgage-backed securities at \$30 billion per month and longer-term Treasury securities at \$35 billion per month. In addition, it will continue its practice of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction. The FOMC will likely reduce the pace of its purchases further if incoming information supports continuing improvement in labor market conditions and inflation moves toward the long-run objective. The federal funds rate target range remains at zero to 0.25 percent, which will remain appropriate until unemployment falls to 6.5 percent. The next meeting of the FOMC will take place on March 18-19, 2014.

## Economic Indexes & Notable Data Releases

### *National & International*

- ◆ The U.S. trade deficit increased to \$38.7 billion in December, up from \$34.6 billion in November. Exports decreased \$3.5 billion to \$191.3 billion and imports increased \$0.6 billion to \$230 billion. Exports of industrial supplies, capital goods, automotive vehicles, and consumer goods decreased. Imports rose in consumer goods, industrial supplies and materials, and other goods.
- ◆ The Conference Board's Leading Economic Index reported a 0.3 percent increase to 99.5 in January for the U.S. These results followed an increase of one percent in November and no change in the index for December. The Leading Index tracks primary components of changes in business cycles. Economists at The Conference Board expect the economy to be resilient in the first half of 2014 due to the index's stable six-month average growth rate. While index growth mirrors an expanding economy, Economist Ken Goldstein says consumer demand and investment will need to expand in order for the 2014 economy to have a faster pace of growth.
- ◆ The Institute for Supply Management's Purchasing Managers Index rose to 53.2 percent in February, gaining 1.9 percentage points over January. While there was expansion in manufacturing, businesses reported mixed feelings about February's growth. Several companies reported weather changes continued to impact orders and inventory, while other companies had optimistic expectations about future growth in early 2014.
- ◆ The Institute for Supply Management's Non-Manufacturing Index increased 1 percentage point in January to 54 percent, indicating continued growth in the non-manufacturing sector for the 48th consecutive month. Although some survey respondents indicated that weather conditions affected their business, all 11 non-manufacturing industries reported growth in January.

### *Local*

- ◆ The Leeds Business Confidence Index increased for the first quarter of 2014, rising to 59.9 from 59.3 in the fourth quarter of 2013. Expectations for all metrics remained positive, including those regarding the national economy, state economy, industry profits, and hiring plans. The first quarter index marked the ninth consecutive quarter of positive expectations.
- ◆ The value of goods exported from Colorado set a new record of \$8.7 billion in 2013, up from \$8.2 billion in 2012. Canada was the state's largest market, capturing 23.7 percent of Colorado's total merchandise exports. The largest export category at \$2.1 billion was computer and electronic products. According to the International Trade Association, 24 percent of Colorado manufacturing workers depend on exports for their jobs. Considering all 5,674 companies that export from Colorado, 87.9 percent were small and medium-sized businesses with fewer than 500 employees.
- ◆ E-470, the high-speed toll road along the eastern edge of Metro Denver, recorded its fourth straight year of traffic growth. Unaudited figures reveal that the number of toll transactions increased from 54 million to 58.4

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million, an 8.2 percent increase from 2012 to 2013. The 58.4 million transactions were 102.8 percent of E-470's 2013 projection of 56.8 million.

- ◆ Ridership on the Regional Transportation District (RTD) system totaled 101.9 million total boardings in 2013, a 2.5 percent increase compared with 2012. This was the first time that ridership broke the 100 million passenger mark, likely spurred on by the opening of the West Rail Line in April 2013. According to the American Public Transportation Association, public transportation use in Denver is about \$10,225 cheaper than driving when considering the costs of gasoline and parking.

## Labor Force and Employment

The Colorado Department of Labor and Employment is currently conducting its annual benchmark revision to the employment data series. Data for January 2014 and revisions to 2013 data will be available on March 28th.

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

	Month of Dec-13 (p)	Month of Nov-13	Month of Dec-12	Year-to- Date Average 2013	Year-to- Date Average 2012	Year-to- Date Average % Change	Annual Growth Rate 2008	Annual Growth Rate 2003
<b>Total 11-County Metro Denver*</b>	1,472.2	1,472.7	1,438.1	1,451.8	1,414.4	2.6%	1.0%	-1.4%
Denver-Aurora MSA	1,296.6	1,297.7	1,265.9	1,279.6	1,246.1	2.7%	1.0%	-1.2%
Boulder-Longmont MSA	175.6	175.0	172.2	172.3	168.4	2.3%	1.0%	-2.8%
Natural Resources & Construction	82.5	84.9	78.5	82.1	77.2	6.4%	-1.5%	-7.1%
Manufacturing	80.4	80.7	80.1	79.9	79.7	0.3%	-2.3%	-4.9%
Wholesale & Retail Trade	219.0	217.0	216.6	213.9	209.7	2.0%	0.1%	-2.3%
Transp., Warehousing & Utilities	49.9	48.6	49.6	48.7	48.0	1.6%	0.2%	-0.3%
Information	50.1	50.2	51.4	51.3	51.6	-0.6%	-1.7%	-8.0%
Financial Activities	102.1	101.8	104.5	102.0	100.1	1.9%	-2.2%	3.4%
Professional & Business Services	272.0	272.3	257.4	265.8	253.6	4.8%	2.1%	-1.3%
Education & Health Services	183.8	184.9	178.8	180.8	174.8	3.5%	4.3%	2.6%
Leisure & Hospitality	155.1	154.1	151.9	157.3	153.5	2.5%	1.4%	-0.6%
Other Services	56.4	55.5	55.4	55.5	54.8	1.2%	2.7%	-0.4%
Government	220.9	222.7	213.9	214.5	211.5	1.4%	2.6%	0.2%
Federal Gov't	29.5	29.3	30.5	29.6	30.4	-2.5%	-0.7%	0.5%
State Gov't	58.5	58.7	56.4	55.2	53.7	2.8%	3.7%	-2.9%
Local Gov't	132.9	134.7	127.0	129.7	127.4	1.8%	3.0%	1.4%
Colorado	2,401.7	2,390.8	2,357.9	2,364.6	2,310.0	2.4%	0.8%	-1.4%
United States	137,753	137,999	135,560	135,930	133,739	1.6%	-0.6%	-0.3%

\*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 employment was 2.6 percent higher in 2013 compared with 2012. The preliminary year-to-date average showed employment increased in each supersector except for information (-0.6 percent). The region added 37,400 jobs during 2013. The largest percent increase was reported in the natural resources and construction supersector, which added 4,900 jobs or increased 6.4 percent. The largest supersector by employment, professional and business services, recorded the second largest percent increase of 4.8 percent, leading to 12,100 jobs added for the sector. The education and health services sector increased by 3.5 percent or

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6,100 jobs and the leisure and hospitality sector was 2.5 percent higher (3,800 jobs). Data will go through a revision process in March, and employment increases are expected to be even higher following the revised data.

Colorado employment grew 2.4 percent in 2013 compared with 2012 and added 54,600 jobs. Growth in the state was higher than the nation, which showed employment growth averaged 1.6 percent during the same period.

## **Metro Denver Industry Cluster Headlines**

### *Aerospace*

- After months of deliberation, DigitalGlobe Inc. purchased property in Westminster as the company's future headquarters for \$92 million. The purchased building is the current location of Avaya, which is expected to vacate by the end of the year. The satellite imaging company employed roughly 950 people in Colorado last year and required new headquarters to consolidate the business to Colorado. Eventually, DigitalGlobe is expected to create an additional 505 positions.

### *Bioscience*

- Boulder-based company JustRight Surgical LLC was granted FDA clearance to sell a device designed for pediatric surgery. The device is a stapler that is nine times smaller than existing products on the market. The FDA approval comes with \$10 million in expected investments from current investors, allowing for the addition of 20 salespeople over the next year in the Boulder offices.

### *Broadcasting and Telecommunications*

- Comcast Corporation, Colorado's largest cable company, has started negotiating to purchase Time Warner Cable for \$45.2 billion. A completed merger of the top two U.S. cable service providers would put Comcast in 19 of the 20 largest U.S. television markets as well as give Comcast nearly 30 percent of the cable providers market. There is speculation on whether the Department of Justice or the FCC will intervene in the purchase for anti-competitive reasons.

### *Financial Services*

- Northwestern Mutual plans to add 85 financial representatives and 135 financial representative interns in 2014 in offices in Metro Denver and Fort Collins. The expansion is part of the company's nationwide effort to keep pace with growing demand for financial planning services. The company expects that many of the new hires will be professionals that are pursuing a career change.

### *Fossil Fuels*

- Beginning in early March, Xcel Energy Inc. will begin construction on 34 miles of natural gas pipeline. The pipeline connects the Fort Lupton natural gas facility to the Cherokee power plant in Denver. The new construction is in response to Colorado's Clean Air-Clean Jobs Act, which includes the conversion of the Cherokee power plant from coal to natural gas.

### *Healthcare and Wellness*

- Centura Health, parent company of Avista Adventist Hospital, has purchased a 46,000-square-foot building (\$4.25 million) for a new health center in Westminster near Church Ranch Boulevard. The health center will provide access to cardiac, family medicine, neurosurgery, and women's services in a fully remodeled building on a \$340 million budget. The center is expected to open in October 2014.

### *Other Business and Employment Headlines*

- The soon-to-be redeveloped Foothills Mall will include the addition of a Cinemark 10-screen multiplex. The project is expected to break ground on February 26 and open completely by the 2015 holidays. The

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theater construction is accompanied by the beginning of the new underpass beneath College Avenue. The underpass is necessary to help connect the redeveloped mall to the MAX, the bus transit service that will open in May.

## Employment Outlook

The first quarter results from the *Manpower Employment Outlook Survey* predict hiring will pick up in the Denver-Aurora-Broomfield MSA. The percent of companies hiring rose to 18 percent from 15 percent in the fourth quarter of 2013. However, the number was down 5 percentage points from year-ago data. The percent of companies that plan to reduce their staffing levels fell 4 percentage points over-the-quarter to 3 percent. The level was also down from 8 percent one year prior. More companies plan to hold employee levels steady in the first quarter of 2014 (78 percent), up 1 percentage point from the fourth quarter of 2013 and 12 percentage points from the first quarter of 2013.

Hiring throughout the U.S. may slow slightly during the first quarter of 2014, according to survey results. The number of companies that plan to hire workers fell 1 percentage point over-the-quarter to 17 percent. The results were unchanged from year-ago results. Fewer companies also expect to lay off workers, with only 7 percent of companies responding that they will reduce their workforce, down from 8 percent in both the fourth quarter of 2013 and over-the-year. Like the Denver-Aurora-Broomfield MSA, more companies nationally plan to hold staffing levels constant: 73 percent of companies plan no change, up from 72 percent in the first and fourth quarters of 2013.

**Employment Outlook Survey**

	Quarter 1 2014	Quarter 4 2013	Quarter 1 2013	YTD Avg 2013	YTD Avg 2012	Ann Avg 2008
<b>Denver-Aurora-Broomfield MSA</b>						
Percent of Companies Hiring	18%	15%	23%	18%	23%	11%
Percent of Companies Laying Off	3%	7%	8%	3%	8%	12%
Percent of Companies No Change	78%	77%	66%	78%	66%	74%
Percent of Companies Unsure	1%	1%	3%	1%	3%	3%
<b>U.S.</b>						
Percent of Companies Hiring	17%	18%	17%	17%	17%	15%
Percent of Companies Laying Off	7%	8%	8%	7%	8%	14%
Percent of Companies No Change	73%	72%	72%	73%	72%	68%
Percent of Companies Unsure	3%	2%	3%	3%	3%	5%

Source: Manpower Inc.

## Unemployment

The Colorado Department of Labor and Employment is currently conducting its annual benchmark revision to the labor force statistics. Data for January 2014 and revisions to 2013 data will be available on March 17th.

The annual average unemployment rate for Metro Denver fell 1.2 percentage points in 2013 compared with 2012 to 6.5 percent. Each of the seven counties had a lower unemployment rate during 2013. In 2013, Boulder County had the lowest unemployment rate at 5.2 percent, a decline of 0.9 percentage points over-the-year. The largest decline during the period was recorded in Adams County, where the unemployment rate fell 1.6 percentage points to 7.6 percent. Other counties reported declines between 1.3 percentage points in the City and County of Denver and 0.9 percentage points in the City and County of Broomfield and Douglas County. The statewide unemployment rate also declined in 2013—the rate fell 1.2 percentage points to 6.8 percent.

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## Labor Force Statistics

(000s, not seasonally adjusted civilian labor force)

	Dec 2013 (p)		2013 YTD Avg		2012 YTD Avg		2008	2003
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Ann Avg Unemployment Rate	Ann Avg Unemployment Rate
Metro Denver	1,567.2	5.6%	1,582.3	6.5%	1,566.3	7.7%	4.8%	6.4%
Adams County	233.0	6.5%	235.9	7.6%	234.4	9.2%	5.4%	7.2%
Arapahoe County	323.8	5.7%	326.8	6.6%	323.3	7.8%	4.8%	6.3%
Boulder County	180.9	4.4%	181.7	5.2%	179.8	6.1%	4.1%	5.8%
Broomfield County	31.6	5.3%	31.9	6.2%	31.5	7.1%	4.5%	6.4%
Denver County	328.5	6.2%	332.0	7.1%	328.9	8.5%	5.3%	7.2%
Douglas County	163.9	4.7%	165.3	5.4%	163.0	6.4%	4.1%	5.3%
Jefferson County	163.9	5.4%	308.6	6.3%	305.3	7.6%	4.6%	5.9%
Colorado	2,727.4	5.9%	2,758.4	6.8%	2,743.3	8.0%	4.8%	6.1%
United States	154,408	6.5%	155,389	7.4%	154,975	8.1%	5.8%	6.0%

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

Unemployment insurance claims in Metro Denver were slightly lower in 2013, as the average fell 0.1 percent compared with the 2012 average. Claims throughout Colorado rose in 2013, with the average increasing 1.4 percent over-the-year.

## Weekly First-Time Unemployment Insurance Claims

	Month of	Month of	Month of	YTD Avg	YTD Avg	YTD Avg	Ann Avg
	Dec-13	Nov-13	Dec-12	2013	2012	% Change	2008
Metro Denver	2,021	1,851	1,948	1,625	1,627	-0.1%	1,738
Colorado	3,932	3,562	3,673	3,166	3,123	1.4%	3,112

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

### Sentiment & Spending

Though last month reported positive outlooks, the Conference Board reported declines in national consumer confidence for February. The Consumer Confidence Index for the U.S. fell to 78.1 in February from 79.4 in January, a decrease of 1.6 percent over-the-month. Compared to February 2013, the national index was 14.8 percent higher in February 2014. The index report suggests consumers are unsettled with business conditions, jobs, and earnings in the short-run.

The Mountain Region Index, which includes Colorado, fell 3.8 percent from January to February. Compared with the year-ago level, the index was up 12.5 percent.

### Consumer Confidence Index

	Month of	Month of	Month of	YTD Avg	YTD Avg	YTD Avg	Ann Avg	Ann Avg
	Feb-14 (p)	Jan-14	Feb-13	2014	2013	% Change	2009	2004
Mountain	72.6	75.5	64.5	74.0	61.5	20.3%	49.7	108.8
United States	78.1	79.4	68.0	78.8	63.2	24.6%	45.2	96.1

Source: The Conference Board. (p) = preliminary



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U.S. retail sales for January decreased 0.4 percent compared to December but increased 3.1 percent over January 2013 sales. A decline in automobile sales (-2.1 percent) was the main contributing factor to the month-over-month decrease. Building materials, health and personal care, and clothing stores reported higher retail sales than the year-ago totals. Gasoline sales were higher compared with both December and January 2013.

According to the National Retail Federation's analysis of federal retail sales, the slower post-holiday shopping was to be expected and the severe weather around the country contributed to the retail sales decline. Chief economists at the NRF suspect that January's retail decline was. The NRF forecasts that there will be a 4.1 percent increase in retail sales for 2014 with online sales growing between 9 and 12 percent.

*With the start of the holiday shopping season, Metro Denver experienced growth throughout the area in November. Retail sales in Metro Denver increased 5.5 percent in November compared with year-ago numbers. All seven counties within Metro Denver reported positive over-the-year totals, reporting higher consumption of retail goods in November 2013 than November 2012. Year-to-date gains in six of the seven Metro Denver counties ranged from 2.6 percent in Denver County to 7 percent in Broomfield County. Retail sales in Douglas County were 1.5 percent lower through the first 11 months of 2013 than sales reported in the comparable months of 2012. Statewide retail sales increased 4.4 percent through November and reported an increase over-the-year of 5.5 percent.*

## Total Retail Sales (\$000s)

	Month of Nov-13	Month of Oct-13	Month of Nov-12	YTD Total 2013	YTD Total 2012	YTD Total % Change	Annual Growth 2008	Annual Growth 2003
Total Metro Denver	7,881,542	8,209,029	7,467,359	90,408,016	87,125,148	3.8%	2.1%	1.6%
Adams County	1,705,878	1,920,989	1,623,970	19,749,053	18,666,923	5.8%	11.5%	5.0%
Arapahoe County	1,569,260	1,560,291	1,439,029	17,690,992	16,886,949	4.8%	-4.8%	1.7%
Boulder County	709,981	735,890	652,424	8,297,552	8,064,910	2.9%	0.5%	4.2%
Broomfield County	191,456	174,611	158,849	1,816,157	1,696,825	7.0%	-4.6%	-6.0%
Denver County	1,878,491	2,053,349	1,828,579	22,132,524	21,575,023	2.6%	4.9%	-1.5%
Douglas County	649,509	610,475	625,518	7,092,200	7,199,426	-1.5%	0.0%	2.1%
Jefferson County	1,176,967	1,153,424	1,138,990	13,629,538	13,035,092	4.6%	-0.5%	3.4%
Colorado	12,772,566	13,287,946	12,101,946	148,566,740	142,348,940	4.4%	2.6%	1.6%

Source: Colorado Department of Revenue.

Data from the U.S. Bureau of Labor Statistics show the U.S. Consumer Price Index (CPI) increased in both the core – which excludes food and energy costs – and overall CPI measures. The annual increase in the core CPI of 1.8 percent was slightly larger than the overall increase in the CPI of 1.5 percent in 2013. The overall CPI increase was attributed to growth in household energy with the largest increase in the electricity index since March 2010. Sharp raises in the natural gas and fuel oil indexes also contributed to the increase, which helped offset the decline in the gasoline index. For the core CPI measure, increases in the shelter, medical care, recreation, and tobacco indexes offset declines in airline fares, used cars/trucks, new vehicles, and apparel indexes.

The Denver-Boulder-Greeley consumer price index was up 2.8 percent in the second half of 2013 compared with the second half of 2012. Similar to the U.S. consumer price increases, energy costs and household utilities were the largest contributing factors to the increase. Though gasoline costs went down in the area, the increases in energy costs, shelter costs, and medical-care costs allowed for inflationary gains.

According to the AAA *Daily Fuel Gauge Report*, national fuel prices for February increased five percent from January to \$3.44 per gallon. Though national numbers increased over-the-month, February fuel prices were 8.8 percent lower than the year-ago average (\$3.78). Following the national trend, Metro Denver experienced

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increased fuel prices over the month of February. Between January and February, fuel prices rose nearly 12 percent to \$3.51 per gallon from January's \$3.14 per gallon. Compared with year-ago averages, the February price was one percent lower in 2014 than it was in 2013.

## Stock Market

*Certainty in the United States Federal Reserve positively influenced the stock market indexes through February. After the Federal Reserve chief's testimony to Congress regarding federal stimulus buy back, which was followed by Congress raising the debt ceiling, the stock market responded with increasing indexes. All four indexes reported positive year-to-date returns except for the DJIA, which fell 1.5 percent. The Bloomberg Colorado index reported a 2.9 percent year-to-date return, jumping to 628 in February. The positive news reports have pulled the year-to-date returns for the S&P 500 out of the negative and into its best month since October, while the NASDAQ closed its best month since January 2013.*

### Stock Market Indexes

	Month of Feb-14	Month of Jan-14	Month of Feb-13	YTD Return 2014	YTD Return 2013	Ann Avg Return 2009	Ann Avg Return 2004
Bloomberg Colorado	628.0	601.5	479.2	2.9%	2.5%	46.2%	17.7%
S&P 500	1,859.5	1,782.6	1,514.7	0.6%	6.2%	23.5%	9.0%
NASDAQ	4,308.1	4,103.9	3,160.2	3.1%	4.7%	43.9%	8.6%
DJIA (Dow Jones)	16,321.7	15,698.9	14,054.5	-1.5%	7.3%	18.8%	3.1%

Sources: Bloomberg.com; Yahoo! Finance.

## Travel & Tourism

*The average occupancy rate for Metro Denver hotels in January (66.4 percent) was higher than the year-ago average, and the January average room rate (\$110.49) was up 4.2 percent compared to the year-ago level. From December to January, the Metro Denver hotel activity showed improvements across the board. The hotel occupancy rate increased by 12 percent over-the-month and the average room rate was up 9.1 percent.*

### Metro Denver Hotel Statistics

	Month of Jan-14	Month of Dec-13	Month of Jan-13	YTD Avg 2014	YTD Avg 2013	YTD Avg % Change	Annual 2009	Annual 2004
Percent of Hotel Rooms Occupied	66.4%	54.4%	58.3%	66.4%	58.3%	13.9%	59.0%	61.9%
Average Hotel Room Rate	\$110.49	\$101.30	\$106.07	\$110.49	\$106.07	4.2%	\$106.85	\$84.42

Source: Rocky Mountain Lodging Report.

*Spokespeople for Denver International Airport (DIA) reported that roughly 4 million passengers passed through the airport in January, a 0.8 percent increase compared with January 2013. With the end of the holiday season, DIA passengers declined from December to January, serving nearly 460 thousand less travelers.*

### Denver International Airport Passengers

	Month of Jan-14	Month of Dec-13	Month of Jan-13	YTD Total 2014	YTD Total 2013	YTD Total % Change	Annual 2009	Annual 2004
Number of Airline Passengers	4,056,858	4,516,315	4,024,783	4,056,858	4,024,783	0.8%	50,167,485	42,275,913

Source: Denver International Airport, Traffic Statistics.

# MONTHLY ECONOMIC SUMMARY

## Residential Real Estate

- A new housing development will be built in Lafayette by Markel Homes. The company purchased eight acres of land from the Boulder Community Hospital for \$800,000. The development will have 53 new single-family homes in a neighborhood the company has named Blue Sage. Markel Homes intends to build homes on 5,000 to 7,000-square foot lots with both front- and alley-loaded garages. The price range for the finished 2,200 to 2,800-square foot home is between \$400,000 and \$600,000. The first round of homes is expected to be available in 15 to 18 months.
- Element Properties has spent \$6.2 million on a Boulder building development at 17th and Walnut Streets. The property will consist of one, two, and three bedroom units ranging from 600 to 1,400 square feet. The 26-unit complex will stand three stories high with an underground parking garage. The project is expected to be finished in the beginning of 2015.
- The new Cadence Union Station apartment complex has been sold for about \$70 million to a client of Invesco Real Estate by Zocalo Community Development Inc. The 13-story, 219-unit building is the first multi-family housing project in the Denver Union Station redevelopment area to be completed. The building includes a fitness area, rooftop pool with lounge, bicycle maintenance shop, 219-parking space garage as well as an electric car recharging station. The leasing office is open and the complex is 20 percent leased.

## Home Resales

According to the National Association of Realtors (NAR), U.S. existing home sales fell 5.1 percent in January, to the lowest level in 18 months. While home sales declined, the median existing-home price was \$188,900 for all housing types, which is a 10.7 percent increase from January 2013. NAR economists say that volatile weather across the country is a key aspect in the sales decline though tight credit, limited inventory, and higher prices and mortgage interest rates are not helping either. The market share for first-time buyers has declined to 26 percent of January purchases, the lowest since October 2008, when it should be around 40 percent. Regional sales in the U.S. showed declines across the board with the largest being in the West (-7.3 percent) followed by the Midwest (-7.1 percent), the South (-3.5 percent) and the Northeast (-3.1 percent).

*Home sales closed in Metro Denver decreased 29.2 percent from December to January, and were 4.3 percent lower than January 2013. There was a nearly 55 percent decline from 13,996 to 6,310 in unsold houses on the market compared to the year-ago total. Due to lack of inventory, the average home sales price increased over-the-year. Single-family attached homes, which include condominiums, townhomes, and multi-units, increased 17.7 percent compared with January 2013. The average price of a single-family detached home increased from \$306,243 to \$339,639, a change of 10.9 percent over-the-year.*

### Previously-Owned Home Sales Activity

	Month of Jan-14	Month of Dec-13	Month of Jan-13	YTD Total 2014	YTD Total 2013	YTD Total % Change	Ann Total 2009
Home Sales (Closed)	2,513	3,550	2,626	2,513	2,626	-4.3%	39,892
Unsold Homes on Market	6,310	7,032	13,996	6,310	13,996	-54.9%	26,884
Average Sales Price (Single Family Attached)	\$203,236	\$201,165	\$172,660	\$203,236	\$172,660	17.7%	\$166,913
Average Sales Price (Single Family Detached)	\$339,639	\$336,347	\$306,243	\$339,639	\$306,243	10.9%	\$287,447
Median Sales Price (Single Family Attached)	\$155,375	\$158,950	\$141,000				\$128,500
Median Sales Price (Single Family Detached)	\$277,700	\$272,500	\$250,000				\$220,000

*Notes: Data consists of the seven Metro Denver Counties.  
Due to a transition in the Metrolist data system, may not be comparable to previous reports.  
Source: Metrolist, Inc.*

# MONTHLY ECONOMIC SUMMARY

## Home Prices

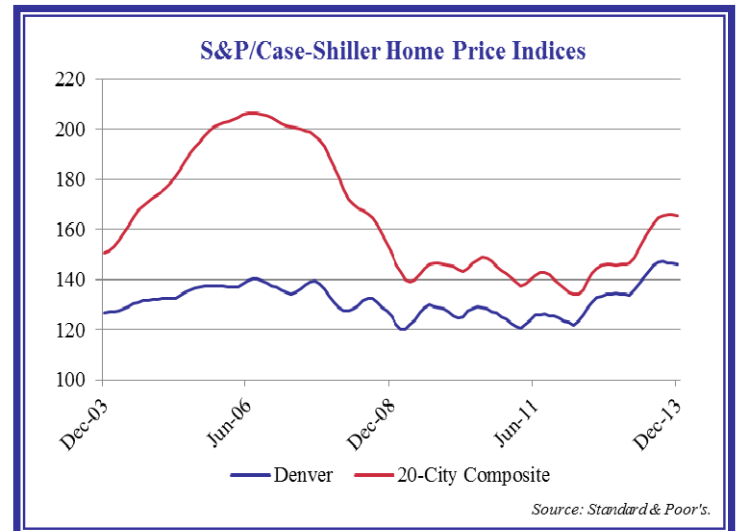
NAR data show the national median price of existing homes was \$198,000 in December and was up 9.9 percent over-the-year. The national median home price for 2013 (\$197,400) was up 11.4 percent above the 2012 median and was the strongest gain since 2005 when prices rose 12.2 percent. Of the four U.S. regions, the West reported the largest over-the-year increase in December median home price (+16 percent) because of multiple bidding and tight inventories. The median in the South was up 8.9 percent over-the-year, the median in the Midwest was up 7 percent, and the December median in the Northeast was up 3.6 percent from December 2012.

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

	Quarter 4 2013 (p)	Quarter 3 2013 (r)	Quarter 4 2012	YTD Avg 2013	YTD Avg 2012	YTD Avg % Change	Median 2008	Median 2003
Boulder MSA	\$442.8	\$410.9	\$414.4	\$383.7	\$382.1	9.4%	\$359.6	\$313.0
Denver-Aurora MSA	\$279.3	\$286.9	\$280.6	\$252.4	\$250.6	11.1%	\$219.3	\$238.2
United States	\$196.9	\$207.1	\$197.4	\$177.2	\$175.8	11.5%	\$196.6	\$180.2

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

Median home prices increased throughout the Metro Denver area. The Denver-Aurora MSA showed an 11.2 percent increase in home prices through 2013 (\$280,600) compared with 2012 (\$252,400), and the Boulder MSA posted an annual increase of 8 percent. From the third quarter to the fourth, the Denver-Aurora MSA experienced a 2.6 percent decline in median home prices to \$279,300 while the Boulder MSA showed an increase of nearly eight percent to \$442,800. Both MSAs reported growth over-the-year with Boulder prices increasing 15.2 percent and Denver increasing 9.6 percent. The U.S. median price declined roughly five percent from third to fourth quarter but did experience an annual increase of 11.4 percent. Of the 171 MSAs, the Boulder MSA reported the seventh highest annual increase and the Denver-Aurora MSA increase was 19th highest.



Source: Standard & Poor's.

According to the S&P/Case-Shiller home price index, Denver experienced a slight decline of 0.1 percent in home prices for the month of December. Including Denver, 12 other metropolitan areas reported declines for the month. Though increases in the month-to-month averages are starting slow, Chairman of the Index Committee David Blitzer says the HPI reported its best year since 2005. The Denver index continued its year-over-year gain for the 24th consecutive month, increasing nine percent compared to December 2012.

The greatest year-over-year price gain among the 20 cities occurred in Las Vegas, Nev. at 25.5 percent while the smallest gain was in Cleveland, Ohio at 4.5 percent. Miami, Fla. maintained its position with the highest month-over-month growth at 0.9 percent from November to December and Detroit, Mich. continued to be the only city below its January 2000 price level.

## Foreclosures

A report recently released by RealtyTrac reported that January housing foreclosures for the U.S. increased by eight percent from December. Despite the increase, the January 2014 foreclosure rate was still down 18 percent from January 2013, marking the 40th consecutive month of declining foreclosures. The report further stated that

# MONTHLY ECONOMIC SUMMARY

the 18 percent annual decline in 2013 was the smallest annual decline since September 2012, while the eight percent increase was the largest month-over-month increase since May 2012.

*Metro Denver reported an increase in housing foreclosures through the month of January compared with last month. Foreclosures in the region were up 11.1 percent from December but down nearly 42 percent from the year-ago level. The largest monthly increase from December to January was Jefferson County (70 percent) with Broomfield County closely behind (50 percent), though the latter reported a nearly 61 percent filing decrease compared with the year-ago level. Denver County and Adams County were the only two counties that reported declines in foreclosures over-the-month, but filings in all of the counties were lower than their January 2013 level.*

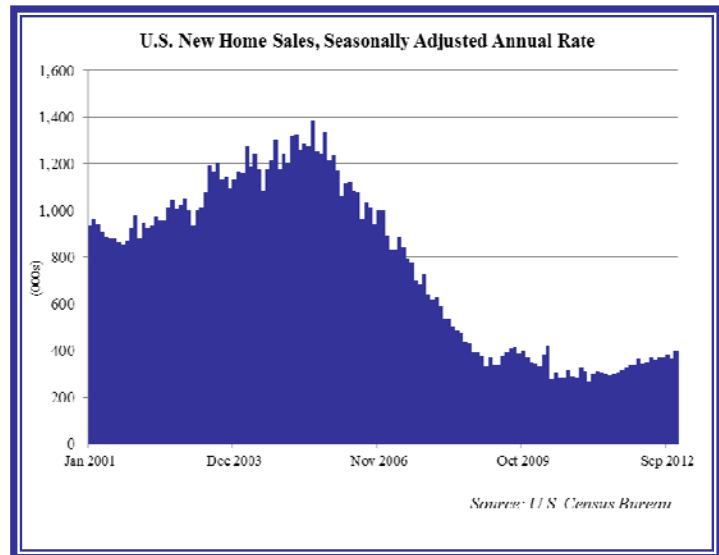
## Real Estate Foreclosures

	Month of Jan-14	Month of Dec-13	Month of Jan-13	YTD Total 2014	YTD Total 2013	YTD Total % Change	Annual Total 2009	Annual Total 2004
Total Metro Denver*	532	479	915	532	915	-41.9%	26,509	12,311
Adams County	114	127	173	114	173	-34.1%	5,646	2,499
Arapahoe County	117	80	223	117	223	-47.5%	6,233	3,125
Boulder County	27	22	41	27	41	-34.1%	1,441	524
Broomfield County	9	6	23	9	23	-60.9%	273	132
Denver County	87	120	204	87	204	-57.4%	6,141	3,351
Douglas County	54	51	65	54	65	-16.9%	2,680	800
Jefferson County	124	73	186	124	186	-33.3%	4,027	1,880

*\*The total number of election and demand setups (initial filings) received by county public trustees. Filings may be subsequently cured or withdrawn.  
Sources: Colorado Division of Housing and county public trustees.*

## New Homes

Census Bureau data show U.S. new homes sales – after adjustment for seasonal trends – increased 13 percent between December and January. There was a 2.2 percent increase in home sales over-the-year for the country, despite the reports of intense weather patterns complicating the market. The weather surely made an impact in the Midwest (the only region to report a decline) where January sales were down 20 percent from the previous month and 14.3 percent from the year-ago numbers. The largest growth in sales was in the Northeast with an over-the-month increase of 57.1 percent and a 2.2 percent increase from January 2013. The West also reported a 7.8 percent increase in sales from December to January, though there was a 23.4 percent decline compared to the year-ago numbers. The South reported increases in both over-the-month (20 percent) and over-the-year (22.7 percent) sales.



The volatile weather systems throughout the country contributed to a sharp decline in homebuilder confidence in February. The National Association of Homebuilders (NAHB)/Wells Fargo Housing Market Index fell ten points to 46 in February from 56 in January. NAHB economist said that the weather conditions across the country led to a decline in buy traffic and the builders are concerned about meeting future demand due to shortages of lots and

# MONTHLY ECONOMIC SUMMARY

labor. Though the decline in the confidence index may be weather related, the trend should reverse once the weather improves and motivate potential homebuyers to start purchasing.

The Census Bureau reported that the count of nationwide residential building permits issued declined for the third month in a row, falling by 4.6 percent in January. A decline of 10 percent in the multi-family sector and a nearly two percent decline in the single-family sector were responsible for the overall decline in permits across the nation. While there was a decline in national permits over-the-month, the permit count was 3.3 percent higher compared to January 2013. The Midwest and the South reported increases of 9.4 percent and 6.2 percent in permits between December and January. At the same time, the number of permits in the Northeast declined 17.2 percent and the West had the largest decline of 25.3 percent.

*Metro Denver reported 7.2 percent decline in residential building permits from December to January. While single-family detached homes increased 8.4 percent to 516 permits, the other two permit categories showed declines in activity. Multi-family unit permits decreased by 25 percent over-the-month as single-family attached fell by nearly nine percent. Though permits declined over-the-month, they were still higher than January of the previous year. Total residential permits issued for January 2013 were 9.7 percent higher than January of 2012.*

## Residential Building Permits

	Month of Jan-14	Month of Dec-13	Month of Jan-13	YTD Total 2014	YTD Total 2013	YTD Total % Change	Total 2009	Total 2004
Single-Family Detached Units	516	476	478	516	478	7.9%	2,397	14,260
Single-Family Attached Units	105	115	91	105	91	15.4%	601	4,843
Multi-Family Units	306	408	276	306	276	10.9%	438	2,681
Total Units	927	999	845	927	845	9.7%	3,436	21,784

Source: Home Builders Association of Metro Denver.

## Apartment Rental Market

*The Denver Metro Apartment Vacancy and Rent Survey for the fourth quarter of 2013 showed a trend of increasing vacancy rates. The Metro Denver apartment vacancy rate increased 0.8 percentage points to 5.2 percent between the third and fourth quarters, due to increased vacancy rates in five of the six submarkets. The only submarket to report a decline in vacancy rates over-the-quarter was Adams County with 5.3 percent, which fell from the quarter three rate of 5.7 percent. Each Metro Denver submarket showed elevated vacancy rates in quarter four compared to year-ago data except for the Boulder/Broomfield area where vacancy declined. For the year, the 2013 annual average vacancy rate (4.6 percent) in Metro Denver was 0.1 percentage points lower than the 2012 annual rate (4.7 percent). The average annual vacancy rate declined in Arapahoe County and the Boulder/Broomfield market in 2013, while the other four submarkets had increases compared to the 2012 annual rates.*

*With minor increases in vacancy rates, the average rental rate of apartments in Metro Denver grew steadily with an over-the-year increase of 6.4 percent. The 2013 average annual rate (\$1,026) was 5.3 percent higher than the 2012 average rate (\$974) in Metro Denver. The Boulder/Broomfield submarket had the largest increase in rental rates for the year at 8.1 percent while the smallest increase was in Adams County with 3.5 percent. The average annual rental rates in the six submarkets ranged from \$1,184 in Boulder/Broomfield to \$939 in Adams County.*

# MONTHLY ECONOMIC SUMMARY

## Apartment Statistics

	Quarter 4 2013	Quarter 3 2013	Quarter 4 2012	YTD Average 2013	YTD Average 2012	YTD Average % Change	Annual Average 2008	Annual Average 2003
Apartment Vacancy Rate	5.2%	4.4%	4.9%	4.6%	4.7%		6.6%	12.0%
Average Monthly Rental Rate (all units)	\$1,042	\$1,049	\$979	\$1,026	\$974	5.3%	\$882	\$806

Source: Denver Metro Apartment Vacancy and Rent Survey.

## Commercial Real Estate

- Denver Public Schools has signed on with LOA Architecture to build a high school in the Stapleton community, which is funded by the 2012 DPS Bond Program. The school is the first new high school built by Denver Public Schools since 1980 and expected to open in August of 2015. The high school campus will be located on a 20-acre lot near The Shops at Northfield Stapleton. The first phase of the project will accommodate 900 students, but finished enrollment capacity will be near 2,400 students.
- The site of the University of Colorado's former Health Sciences Center was sold for \$30 million to Continuum Partners. The 26-acre site will likely consist of some residential, office, and retail spaces. The Continuum developers do not have a set plan, but they expect to build a walkable neighborhood including a town center with parks, plazas, and underground parking.
- Colorado Christian University has begun construction on a 44,000-square-foot academic building. Building completion is expected by fall 2014 with a budget of \$14.5 million. In addition to the academic building, there will be 200 new parking spaces, an entry off Alameda Avenue, and a road to the connect north and south campus.
- The Gunbarrel Center in Boulder, developed by The Wolff Company of Scottsdale, Arizona, is set to break ground by the end of March. The 9.3 acres of land at the southwest corner of Gunpark Drive was purchased for \$4.15 million last year. The development will include 251 apartments and 29,000 square feet of commercial space dispersed among 14 three-story buildings. The first set of apartments are expected to be available by spring 2015 with the entire project done in 18 to 24 months.
- The Gaylord Rockies Hotel developer announced the addition of a water park to the 1,500-room hotel project massive project. The indoor-outdoor water park will add \$25 million to the project that is already estimated to between \$750 and \$800 million. The park will include multiple pools, a lazy river, and simulated hot springs. The project is expected to draw at least 450,000 net new visitors and create 1,550 permanent jobs.

## Office Market

- *The fourth quarter 2013 Denver Office Market Trends report from Newark Grubb Knight Frank stated that Denver observed steady performance through 2013, placing it as the best year since 2007. The 16-quarter declining trend in vacancies continued throughout the year, reaching a vacancy rate of 15.8 percent. With vacancies on the decline and rents rising, the development pipeline is showing solid increases. The report described 10 projects totaling 1.6 million square feet under construction, with many other on the drawing board.*
- *The fourth quarter analysis in the Office Market Snapshot reports that the office market in Denver experienced a strong year of growth including declining vacancy, increasing rental rates, and new investments. According to Cassidy Turley, the Denver office market achieved its fifth consecutive quarter of decreasing vacancy as well as the eighth consecutive quarter of increased average direct rents. Average*

# MONTHLY ECONOMIC SUMMARY

asking rents for class A space ranged from \$21 per square foot along Colorado Boulevard to \$31 per square foot in the Central Business District.

- *The CBRE Market Outlook for 2014 presents positive expectations for the year due to healthy growth in the office market in 2013. While most submarkets in Denver experienced progress, the Downtown submarket led the area in activity and perceived market strength. The total vacancy rate declined to 14.1 percent in 2013 with 1.5 million square feet of net absorption. Denver's vacancy rate is the fifth lowest of the 13 major markets tracked by CBRE.*

The Metro Denver office market improved during the fourth quarter, as the vacancy rate fell and the average lease rate increased. According to CoStar, the vacancy rate fell 0.1 percentage points compared with the third quarter, reaching 11.1 percent, the lowest rate since the fourth quarter of 2001. The fall in the vacancy rate was accompanied by an increase in the average lease rate, which was up 1.5 percent over-the-quarter to \$21.91 per square foot. Compared with the fourth quarter of 2012, the vacancy rate was down 1 percentage point, while the average lease rate rose 5.6 percent.

Construction of office property improved during the fourth quarter, as demand for space among businesses grew. There was 530,000 square feet more space under construction during the fourth quarter, an increase of 42.1 percent compared with the third quarter. For 2013, 950,000 square feet of new office space was completed, a 9.2 percent increase compared with 2012.

## Office Market Statistics

	Quarter 4 2013	Quarter 3 2013	Quarter 4 2012	Quarter 4 2011	Quarter 4 2010	Quarter 4 2009
Number of Buildings	5,920	5,903	5,891	5,880	5,863	5,848
Existing Square Feet (millions)	171.9	171.4	170.6	169.7	169.0	167.6
Vacant Square Feet (direct, millions)	19.0	19.2	20.6	21.2	21.9	22.7
Vacancy Rate (direct)	11.1%	11.2%	12.1%	12.5%	13.0%	13.6%
Vacancy Rate (with sublet)	11.6%	11.7%	12.4%	13.0%	13.7%	14.5%
Avg. Lease Rate (direct, per sq. ft, full service)	\$21.91	\$21.59	\$20.74	\$19.86	\$19.86	\$20.17
New Construction Completed (year-to-date)	0.95 MSF, 15 Bldgs	0.80 MSF, 11 Bldgs	0.87 MSF, 8 Bldgs	0.49 MSF, 14 Bldgs	1.14 MSF, 13 Bldgs	1.56 MSF, 22 Bldgs
Currently Under Construction	1.79 MSF, 23 Bldgs	1.26 MSF, 17 Bldgs	0.90 MSF, 10 Bldgs	0.85 MSF, 7 Bldgs	0.45 MSF, 8 Bldgs	1.17 MSF, 8 Bldgs

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

## Industrial & Flex Market

- *The Denver Industrial Market Trends report from Newark Grubb Knight Frank stated that in 2013 Denver observed the best growth in the industrial market compared with the last five years. Indeed, the market moved out of recovery mode and into expansion with 4.4 million square feet absorbed over the year. Overall, the year ended with nine new industrial buildings for a total of 1.2 million square feet, compared to the 496,045 square feet built in 2012. The report also forecasts continued growth and expansion throughout 2014.*
- *The improvement of overall economic conditions led to increased tenant demand within the industrial market in 2013. The CBRE Denver Market Outlook report states that the market is expected to continue to experience increases in rental rates and absorption due to increased activity in sectors such as construction, energy, and manufacturing. The fourth quarter of 2013 direct vacancy rate decreased to 4.6 percent and average leasing rates were up \$0.12 from the prior year.*

Data from CoStar Realty shows the industrial market vacancy rate fell to its lowest point since the availability of data beginning in the fourth quarter of 1999. The vacancy rate dropped to 3.8 percent during the fourth quarter, a



# MONTHLY ECONOMIC SUMMARY

decrease of 0.4 percentage points over-the-quarter and 1.3 percentage points compared with the year-ago level. The average lease rate grew as demand for space increased. The lease rate of \$5.05 per square foot was up 2.9 percent compared with the third quarter and 7.7 percent above the year-ago level. With a heightened need for available space, construction ramped up during the fourth quarter and rose to the highest point since the first quarter of 2007. Completed construction of 930,000 square feet of space in five buildings in 2013 was 60.3 percent higher than construction completed during 2012.

## Industrial Market Statistics

	Quarter 4 2013	Quarter 3 2013	Quarter 4 2012	Quarter 4 2011	Quarter 4 2010	Quarter 4 2009
Number of Buildings	6,888	6,885	6,880	6,870	6,860	6,853
Existing Square Feet (millions)	203.9	203.8	202.9	202.2	201.9	201.8
Vacant Square Feet (direct, millions)	7.8	8.5	10.4	13.4	12.1	14.5
Vacancy Rate (direct)	3.8%	4.2%	5.1%	6.6%	6.0%	7.2%
Vacancy Rate (with sublet)	4.0%	4.4%	5.6%	7.0%	6.6%	7.8%
Avg. Lease Rate (direct, per square foot, NNN)	\$5.05	\$4.91	\$4.69	\$4.55	\$4.66	\$4.83
New Construction Completed (year-to-date)	0.93 MSF, 5 Bldgs	0.89 MSF, 4 Bldgs	0.58 MSF, 8 Bldgs	0.32 MSF, 5 Bldgs	0.07 MSF, 3 Bldgs	0.23 MSF, 6 Bldgs
Currently Under Construction	2.01 MSF, 15 Bldgs	0.63 MSF, 7 Bldgs	1.05 MSF, 7 Bldgs	0.05 MSF, 2 Bldgs	0.08 MSF, 1 Bldg	0.03 MSF, 2 Bldgs

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

CoStar data indicate that the flex market in Metro Denver continued to improve during the fourth quarter. The direct vacancy rate for flex space fell to 10.4 percent, a decline of 0.5 percentage points compared with the third quarter. The vacancy rate was 2 percentage points lower than the year-ago rate. The average lease rate responded positively to the lower vacancy rate and increased 0.3 percent over-the-quarter to \$9.42 per square foot in the fourth quarter. The rate was also 7.3 percent above the lease rate in the fourth quarter of 2012. The increase in demand for space led to higher construction for the quarter as the amount of space under construction more than tripled on a quarterly basis to 230,000 square feet. Completed construction for all of 2013 was slightly lower than 2012, falling to 100,000 square feet from 130,000 square feet in 2012.

## Flex Space Statistics

	Quarter 4 2013	Quarter 3 2013	Quarter 4 2012	Quarter 4 2011	Quarter 4 2010	Quarter 4 2009
Number of Buildings	1,440	1,440	1,437	1,434	1,434	1,429
Existing Square Feet (millions)	40.6	40.6	40.5	40.4	40.4	40.3
Vacant Square Feet (direct, millions)	4.2	4.4	5.0	5.2	5.5	5.6
Vacancy Rate (direct)	10.4%	10.9%	12.4%	12.9%	13.6%	13.8%
Vacancy Rate (with sublet)	11.8%	12.3%	13.8%	14.2%	14.9%	15.5%
Avg. Lease Rate (direct, per square foot, NNN)	\$9.42	\$9.39	\$8.78	\$8.80	\$9.07	\$9.30
New Construction Completed (year-to-date)	0.10 MSF, 3 Bldgs	0.10 MSF, 3 Bldgs	0.13 MSF, 3 Bldgs	0 MSF, 0 Bldgs	0.05 MSF, 2 Bldgs	0.30 MSF, 9 Bldgs
Currently Under Construction	0.23 MSF, 5 Bldgs	0.07 MSF, 2 Bldgs	0.08 MSF, 3 Bldgs	0 MSF, 1 Bldg	0 MSF, 0 Bldgs	0 MSF, 0 Bldgs

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

## Retail Market

- According to the Denver Retail Market Trends report from Newark Grubb Knight Frank, the 2013 Denver retail market achieved its lowest vacancy rate since 2007 at 7.4 percent, down from 8.3 percent at year-end

# MONTHLY ECONOMIC SUMMARY

*2012. Investment sales have been stable for the past seven quarters, which is expected to continue. Demand for prime business locations in Denver by national and regional retailers is expected to drive speculative development through the year, helping to attract new retailers.*

As retail sales continue to improve and consumers spend more money, demand for retail space is growing. According to CoStar data, the direct vacancy rate fell 0.2 percentage points to 6.1 percent between the third and fourth quarters. The vacancy rate was 0.6 percentage points lower than the fourth quarter 2012 rate. The lower vacancy did not push up the average lease rate of \$15.21 per square foot, which was unchanged compared with the third quarter rate. The lease rate was up 3.5 percent over-the-year.

The amount of newly completed construction for 2013 was significantly larger than the amount in 2012, as it rose to 1.2 million square feet, or increased 94.9 percent. The amount of space currently under construction was unchanged between the third and fourth quarters.

## Retail Market Statistics

	Quarter 4 2013	Quarter 3 2013	Quarter 4 2012	Quarter 4 2011	Quarter 4 2010	Quarter 4 2009
Number of Buildings	11,171	11,152	11,095	11,043	11,007	10,969
Existing Square Feet (millions)	158.0	157.9	156.8	156.2	155.1	154.5
Vacant Square Feet (direct, millions)	9.7	9.9	10.5	11.0	11.7	12.5
Vacancy Rate (direct)	6.1%	6.3%	6.7%	7.1%	7.6%	8.1%
Vacancy Rate (with sublet)	6.4%	6.5%	6.9%	7.3%	7.8%	8.4%
Avg. Lease Rate (direct, per square foot, NNN)	\$15.21	\$15.21	\$14.69	\$14.48	\$14.84	\$16.70
New Construction Completed (year-to-date)	1.15 MSF, 69 Bldgs	0.98 MSF, 53 Bldgs	0.59 MSF, 46 Bldgs	1.02 MSF, 25 Bldgs	0.41 MSF, 22 Bldgs	2.06 MSF, 80 Bldgs
Currently Under Construction	0.42 MSF, 29 Bldgs	0.42 MSF, 28 Bldgs	0.85 MSF, 27 Bldgs	0.20 MSF, 14 Bldgs	0.57 MSF, 6 Bldgs	0.53 MSF, 12 Bldgs

*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 down by 500 jobs Nov to Dec; YTD employment up 2.6% through Dec 2013.
% Companies Hiring (Denver Area)	↑	↓	18% of companies expect to add workers in Q1 2014 and 78% expect no change.
Unemployment Rate	↓	↓	Metro rate 5.6% in Dec; YTD avg. rate of 6.5% down from 2012 YTD avg (7.7%).
Initial Unemployment Insurance Claims	↑	↓	Claims increased Nov to Dec; YTD claims decreased 0.1% through Dec 2013.
Total Retail Sales	↓	↑	Metro retail sales decreased Oct to Nov; YTD sales up 3.8% through Nov 2013.
Consumer Confidence Index	↓	↑	Mountain Region Index down 3.8% Jan to Feb; index up 12.5% YTD through Feb 2014.
Hotel Occupancy	↑	↑	Hotel occupancy increased Dec to Jan to 66.4%; occupancy up 13.9% YTD.
DIA Passengers	↓	↑	Traffic decreased 10.2% Dec to Jan; YTD traffic increased 0.8% through Jan 2014.
Bloomberg Colorado Index	↑	↑	Bloomberg Colorado up 4.4% from Jan to Feb; year-to-date return at +2.9%
Dow Jones Industrial Average	↑	↓	DOW increased 11.7% from Jan to Feb; year-to-date return down 1.5%.
Home Sales (closed)	↑	↑	Home sales decreased 29.2% Dec to Jan; YTD sales down 4.3% through Jan.
Median Home Price (Denver-Aurora MSA)	↓	↑	Median price in Denver MSA decreased 2.6% Q3 to Q4; price up 11.2% YTD through Q4' 13.
Foreclosures	↑	↓	Foreclosures increased Dec to Jan; YTD down 41.9% through Jan 2014.
Residential Building Permits (Total)	↓	↑	Total permits decreased 7.2% Dec to Jan; YTD up 9.7% through Jan 2014.
Apartment Vacancy Rate	↑	↓	Vacancy up to 5.2% in Q4; avg rental rate at \$1,042 per month.
Office Vacancy Rate (with Sublet)	↓	↓	Vacancy down to 11.6% in Q4 2013 from 11.7% in Q3; avg lease rate up to \$21.91/sq. ft.
Industrial Vacancy Rate (with Sublet)	↓	↓	Vacancy down to 4% in Q4 2013 from 4.4% in Q3; avg lease rate up to \$5.05/sq. ft. (NNN)
Retail Space Vacancy Rate (with Sublet)	↓	↓	Vacancy down to 6.4% in Q4 2013; avg. lease rate up to \$15.21/sq. ft. (NNN)
<i>Positive Changes</i>	<b>8 of 18</b>	<b>15 of 18</b>	



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