

The Monthly Economic Indicators 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-Lakewood 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* magazine released the annual ranking of the best states for business, ranking Colorado fifth. The ranking was based on business costs, labor supply, regulatory environment, economic climate, growth prospects, and quality of life. The state ranked first for labor supply and fourth for growth prospects. Overall, Utah ranked first, followed by North Dakota, North Carolina, and Virginia.
- Eight Colorado companies made the Deloitte Technology Fast 500 list. The annual ranking considered the fastest-growing tech, media, telecom, life science, and clean tech companies in North America between 2009 and 2013. ARC Group Worldwide Inc. was the highest ranked company in the state at 84th, posting five-year revenue growth of 1,455 percent. The other Colorado companies consisted of Cherwell Software LLC (#102), Gevo Inc. (#103), Rally Software (#232), Envysion Inc. (#338), Advanced Energy Industries Inc. (#349), Array Biopharma Inc. (#419), and Junction Solutions (#495).
- *Forbes* magazine released a ranking of the largest private companies in the United States and six Colorado companies made the list. The highest ranked company in Colorado was CH2M Hill at 61st with revenue of \$5.88 billion. The other Colorado companies on the list consisted of ProBuild Holdings (#98), Sports Authority (#124), Gates Corp. (#168), Leprino Foods (#177), and Hensel Phelps Construction (#207). Cargill, a Minnesota-based agricultural giant, ranked in first place for the 28th consecutive year, posting annual revenue of \$134.9 billion.
- NerdWallet released a study on the best place for millennial-aged entrepreneurs, ranking Denver fifth. The company ranked 83 cities based on access to funds, networking and mentorship, local economy, and affordability. The report stated that the city has \$131.78 commercial and industrial loans per capita, 2.72 businesses per 100 people, a population that is 21.9 percent millennials, 44.4 percent of people with a bachelor's degree or higher, and a \$33,995 per capita income. The top four cities ranked in order were Arlington, Va., Madison, Wis., Lincoln, Neb., and Minneapolis, Minn.
- *Global Trade* magazine ranked Erie among the 10 best cities in the nation for a skilled workforce. The ranking stated that Erie's leading industries are education and technology. While the town is small, 56 percent of the people have college degrees and residents have a median household income of \$107,246. Also among the top ten cities were Kansas City, Mo., Albuquerque, N.M., and San Francisco, Calif.
- Environmental Entrepreneurs, a nonpartisan business group, ranked Colorado fourth for new clean energy and clean transportation jobs during the fourth quarter. The company released their *Clean Energy Works for Us: Q3 2014 Jobs Report* and ranked the top 10 states based on the number of jobs announced in the clean energy industry. The company stated that Colorado announced more than 1,300 clean energy jobs during the third quarter, many of them due to increased order activity at Vestas Wind Systems. Nevada ranked first, with 6,556 jobs announced, and the company attributed this to the development of Tesla's electric car battery factory.
- According to *National Real Estate Investor*, a commercial real estate news magazine, Denver ranked as the 10th best city for commercial real estate investors looking for retail space. The company stated that the volume of retail changing hands rose 110 percent between mid-year 2013 and mid-year 2014 to \$387 million. Manhattan, N.Y. ranked first, followed by San Francisco, Calif. in second and Honolulu, Hawaii in third. The ranking considered retail real estate measures including vacancy levels, rental rates, new retail construction, and how active the markets were for investment sales.

- According to the Institute for International Education *2014 Open Doors* report, the University of Denver (DU) ranked as the number one doctorate institution in the country for undergraduates who study abroad. The study reported that DU had 814 undergraduate study-abroad students and 1,136 degrees conferred during the 2012/2013 school year. DU was the only Colorado school to reach the top 40 for undergraduates studying abroad for doctorate institutions, while Colorado College ranked eighth for baccalaureate institutions. The University of Denver has 150 study-abroad programs in 55 nations.
- The annual *Best for Vets: Colleges 2015* ranking by Military Times ranked three Colorado colleges in the top 100. Metropolitan State University of Denver ranked 32nd, followed by the University of Colorado-Colorado Springs in 44th and the University of Colorado-Boulder in 86th. The ranking considered the services, special rules, accommodations, and financial incentives that universities offer to military and veteran students. The University of Nebraska Omaha was ranked first.
- NewGeography.com released a ranking of America's smartest cities. The ranking considered 380 metropolitan statistical areas (MSA) and used three criteria: the growth rate of the number of residents with at least a bachelor's degree from 2000 to 2013, the percentage point increase in the share of the population that is college educated, and the share of educated people in the population in 2013. Boulder was ranked 13th overall and third among medium-sized MSAs. Denver ranked 37th overall and 12th among the large-sized MSAs.
- A study release by Livability, an online think tank, ranked Wheat Ridge as the fifth best place in the nation to retire. The company considered measures consisting of access to affordable health care, cost of living, retiree-friendly businesses and services, recreational amenities, age diversity, taxes, walk score, and crime rates. The company stated that Wheat Ridge ranked high for its small-town vibe, with the convenience of urban culture nearby.
- According to Forbes, two Colorado ski resorts were among the top 10 in the country. The ranking considered resorts in the U.S. and Canada and used criteria such as quality and quantity of snow, skiable acreage, and the reliability of lifts. Vail ranked seventh and Telluride ranked eighth. Forbes said that Vail Resorts continues to expand every year with Vail at the center of the \$3.1 billion company. They also said that Telluride is a top skiing experience due to the ambience, scenery, and elite ski town that is uniquely easy to get around. Jackson Hole, Wyo. ranked first while Alta, Utah ranked second.

Policy Watch

Local

- The Colorado Department of Transportation announced a new pilot study for an alternative way to raise money for transportation and highway construction projects. The "vehicle miles traveled" project allows about 100 volunteers to pay for the miles their vehicles have traveled, rather than paying at the gas pump. The program stems from the lack of increases to the state and federal gas-tax rates as well as cars getting more miles to the gallon and new cars running solely on electricity or compressed natural gas, which do not pay gasoline taxes. The program will send a bill periodically to the volunteers to show what they would have paid under the program, which would charge 1.5 cents per mile.
- The expansion of C-470 between Interstate 25 and Kipling Parkway could be completed by December 2017. The \$230 million project would begin adding one new toll lane in each direction in the summer of 2016. The Colorado Department of Transportation (CDOT) stated they have identified \$112 million in federal, state, and local government funding and would secure the remaining \$118 million through toll revenue bonds and other sources.
- The E-470 Public Highway Authority announced that toll road fees on E-470 along the east side of Denver will increase in 2015. ExpressToll customers, who have transponders on their vehicles, will pay 5 cents more and drivers who rely on license plate tolling will pay 5 to ten cents more per tolling location.
- Colorado's 74 public airports will have access to less funding in 2013. The Colorado Discretionary Aviation Grant Program awarded \$19 million during 2014 to public airports, but that will be reduced to \$3 million in 2015. Airports

had expected \$15 million for 2015; \$12 million more than what is available. The program is funded by a tax on aviation fuel sold at airports in Colorado, but demand for fuel and fuel prices are down, pushing down tax receipts.

- The Colorado Public Utilities Commission approved a two-year plan for rooftop and community solar installations as part of Xcel Energy's renewable energy compliance plan. The solar blueprint provides at least 42 megawatts of projects annually for 2015 and 2016. With this plan, there will be 24 megawatts a year of small rooftop solar installations of less than 25 kilowatts and 12 megawatts of medium-sized projects of 25 to 500 kilowatts.
- Boulder County commissioners voted to extend the county's ban on new oil and gas operations, including fracking, to June 2018. The county currently has more than 180 active oil and gas wells and the moratorium will not affect the existing wells.

National Economic Overview

The U.S. Bureau of Economic Analysis (BEA) released the second estimate of real gross domestic product (GDP) for the third quarter of 2014. The estimate showed that GDP increased at an annual rate of 3.9 percent through the third quarter, up from the advance estimate of 3.5 percent. The second estimate represents more complete source data than the available data for the advanced estimate. The upward revision to third quarter GDP growth is attributed to stronger increases in personal consumption expenditures and nonresidential fixed investment than previously thought, while private inventory investment decreased more than previously thought. The third estimate of third quarter 2014 GDP will be released December 24.

The October conference of the Federal Open Market Committee (FOMC) reported that economic activity continued to expand at a moderate pace. The release stated that labor market conditions improved slightly, with solid job gains and a lower unemployment rate. The Committee reported that there was substantial improvement in the outlook for the labor market and there was sufficient underlying strength in the broader economy to support progress towards maximum employment in the context of price stability. Therefore, the committee announced the conclusion of the asset purchasing program. The release also stated that the FOMC will maintain the existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities and of rolling over maturing Treasury securities at auction. The Committee reported that while inflation in the near term will be held down by lower energy prices and other factors, the likelihood of inflation running persistently below 2 percent has diminished somewhat since the beginning of the year. The next committee meeting will be held on December 16.

Economic Indexes & Notable Data Releases

National & International

- The U.S. trade deficit rose to \$43 billion in September, up 7.5 percent from the August deficit of \$40 billion (revised). Imports increased to \$238.6 billion, rising \$0.1 billion between August and September, and exports fell \$3 billion to \$195.6 billion. The over-the-month growth in imports is attributed to a \$0.1 billion increase in transportation services imports, with total growth in services imports valued at \$0.2 billion. The decline in exports between August and September reflected a decline in industrial supplies and materials (\$2 billion), capital goods (\$1.2 billion), consumer goods (\$0.7 billion), and services (\$0.4 billion).
- The Conference Board Leading Economic Index for the U.S. increased through October to 105.2, rising 0.9 percent between September and October. Economists at the Conference Board reported that each of the index components rose above the previous six months. Further, U.S. expansion continues to be strong despite contributions from the new orders index and negative contributions from stock prices. They also reported that they expect continued economic growth through the holidays and early 2015, which is consistent with their outlook for relatively good consumer demand.
- The Institute for Supply Management's Purchasing Managers Index rose 2.4 percentage points to 59 percent in October, compared with the September level of 56.6 percent. The October index level marked the 17th consecutive

month of expansion, as measured by a value greater than 50. Of the 18 manufacturing industries tracked in the index, 16 industries reported growth. The New Orders Index increased 5.8 percentage points over-the-month to 65.8 percent, while the Backlog of Orders index recorded a 6 percent increase during the same period. The Price index and the Exports index reported the only over-the-month declines, falling 6 percentage points and 2 percentage points, respectively. Survey respondents stated that holiday orders are exceeding seasonal forecasts and that business condition are positive.

- The Institute for Supply Management's Non-Manufacturing Index decreased 1.5 percentage points in October to 57.1 percent, compared with the September level of 58.6 percent. The October index marked the 57th consecutive month of growth, as measured by a value over 50. The index tracks 18 non-manufacturing industries and 16 industries reported an increase between September and October. Each of the 16 indices in the non-manufacturing composite index revealed expansion but only two of the indices reported over-the-month increases. The Imports Index rose 3.5 percentage points over-the-month to 56 percent and the Employment Index rose 1.1 percentage points to 59.6 percent.

Local

- The Leeds Business Confidence Index continued to report a positive outlook for the fourth quarter of 2014. The index value of 59.5 for the fourth quarter of 2014 was 1.7 points below the previous quarter. While the index value may have declined slightly over-the-quarter, any value above 50 reflects a positive outlook. Overall expectations for the state economy fell from 65.9 in the third quarter to 63.9 in the fourth quarter. According to the report, optimism for the national economy is up from the previous year but remained flat for the state economy. The fourth quarter 2014 marked the 12th consecutive quarter of positive expansion despite the slight decline in expectations.
- The Colorado Business Committee for the Arts (CBCA) released their analysis on economic activity related to arts, culture, and scientific organizations across Metro Denver. They reported these groups had a total economic impact of \$1.85 billion during 2013, an increase of 5.1 percent from 2011. Between 2011 and 2013, operating expenses increased from \$748 million to \$820 million, audience spending rose from \$901 million to \$926 million, and capital expenditures declined from \$115 million to \$105 million. The report tracks data collected from museums and cultural organizations that receive Scientific and Cultural Facilities District funds.
- According to Zillow, the number of adults in Metro Denver who share homes increased in 2012. The company analyzed U.S. Census data and found that 27.6 percent of Metro Denver adults between 23 and 65 years of age shared living space during 2012. Median income of adults in shared households increased to \$30,000 in 2012, up from \$25,200 in 2000, while the average household size rose to 1.79 working-age adults in 2012 from 1.72 in 2000. The company stated that rent growth in the area is more than 10 percent a year compared with the national average of 3.5 percent growth per year. Zillow analysts speculate that as rental rate growth outpaced income growth, people were pushed into shared housing situations.
- The first annual Colorado Small Business Health Benefits Survey by Delta Dental of Colorado reported that half of Colorado's smallest businesses are considering changing health insurance carriers in 2015. They found that nine in 10 small business owners in the state consider employee benefits extremely or very important and most of them see benefits becoming more important in the future. The report stated that dental insurance is the most popular among ancillary benefits, with nearly eight in 10 businesses offering dental coverage. More than half of the businesses surveyed said that the Affordable Care Act (ACA) has impacted their benefits offerings.
- Senior living communities are on the rise in Metro Denver. Balfour and InnovAge are just two companies in the area that are jumping on the quickly expanding real estate market. According to The Highland Group, the 500,000 baby boomers in Metro Denver will drive demand beyond what is being met. In 2012, Metro Denver had 847 age restricted housing units added, compared with 874 in 2013 and 1,297 through October of 2014. The Highlands Group further stated that there would be another 2,840 units available in 2015. The state demographer states that one in nine Colorado residents are at least 65 years old, but by 2040 it will be nearly one in five.

Labor Force and Employment

Employment in Metro Denver increased 2.6 percent between October 2013 and 2014, or an additional 38,600 jobs during the period. The employment growth consisted of a 2.5 percent increase in the Denver-Aurora MSA, or an additional 33,300 jobs, and a 3 percent increase in the Boulder MSA, representing 5,300 jobs. The manufacturing supersector reported the largest percentage increase over-the-year in employment, rising 5.3 percent and adding 4,300 jobs. The education and health services supersector also reported a significant increase in employment, rising 4.9 percent over-the-year, and added the most jobs during the period (9,000 jobs). The professional and business services supersector added 8,300 jobs and increased employment by 3.1 percent during the same period. The natural resources and construction supersector reported significant growth over-the-year, rising 3.8 percent and generating 3,400 jobs. Two of the 11 supersectors reported employment declines over-the-year, with the information supersector (-1.9 percent) reporting the largest decline and the transportation, warehousing, and utilities (-0.8 percent) supersector falling slightly.

Colorado employment rose 2.4 percent in October compared with the previous year's level, adding 58,100 new jobs over the same period. National employment levels increased 2 percent over-the-year, with the addition of 2.8 million jobs.

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

	Month of Oct-14 (p)	Month of Sep-14	Month of Oct-13	Year-to- Date Average 2014	Year-to- Date Average 2013	Year-to- Date Average % Change	Annual Growth Rate 2009	Annual Growth Rate 2004
Total 11-County Metro Denver*	1,529.8	1,527.1	1,491.2	1,502.2	1,461.4	2.8%	-4.3%	0.8%
Denver-Aurora MSA	1,348.9	1,347.3	1,315.6	1,325.4	1,290.0	2.7%	-4.3%	0.8%
Boulder-Longmont MSA	180.9	179.8	175.6	176.9	171.5	3.1%	-4.7%	0.9%
Natural Resources & Construction	92.0	91.8	88.6	87.8	84.0	4.6%	-16.3%	-0.7%
Manufacturing	85.5	84.9	81.2	82.9	80.9	2.5%	-10.2%	-0.4%
Wholesale & Retail Trade	217.8	218.6	216.3	217.5	213.8	1.7%	-5.7%	-0.1%
Transp., Warehousing & Utilities	50.5	49.5	50.9	50.4	50.3	0.2%	-6.2%	0.5%
Information	50.6	51.1	51.6	51.3	52.3	-2.0%	-4.5%	-5.4%
Financial Activities	104.7	104.2	104.1	103.1	103.1	0.0%	-4.4%	-0.1%
Professional & Business Services	278.7	280.5	270.4	274.9	264.1	4.1%	-6.2%	3.5%
Education & Health Services	193.0	192.2	184.0	189.4	180.9	4.7%	3.0%	3.2%
Leisure & Hospitality	168.3	171.0	162.7	166.6	160.3	3.9%	-3.4%	2.6%
Other Services	57.4	56.6	56.1	56.6	56.2	0.7%	-1.8%	1.7%
Government	231.3	226.7	225.3	221.7	215.7	2.8%	1.5%	-0.2%
Federal Gov't	29.4	29.4	29.8	29.5	30.0	-1.8%	0.6%	-1.6%
State Gov't	58.1	57.3	58.9	55.4	54.6	1.6%	4.0%	0.4%
Local Gov't	143.8	140.0	136.6	136.9	131.1	4.4%	0.8%	0.0%
Colorado	2,466.6	2,467.1	2,408.5	2,437.1	2,372.9	2.7%	-4.5%	1.2%
United States	140,817	139,753	138,013	138,431	135,961	1.8%	-4.3%	1.1%

*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

- Ball Aerospace & Technologies Corp. will build instruments and assemble 18 satellites for Arlington, Va.-based OmniEarth Inc. These satellites will be designed to collect data from the Earth's entire surface daily and Ball Aerospace

will oversee development of the satellite's instruments and integrating the functioning satellite. OmniEarth expects to launch and deploy the entire fleet of satellites into orbit by 2018. The impact of the project on Ball's workforce has not been announced.

Aviation

- Frontier Airlines is reducing its workforce and cutting travel routes to and from Colorado. The number of employees that will be let go was unspecified, as the company will attempt to reduce staff through retirements and natural attrition.

Financial Services

- Western Union announced it is offering an undisclosed number of employees voluntary separation packages. The company reported they are moving toward a more sustainable workforce model, moving toward a workforce that would include the right mix of skills in the right places. The company currently employs about 1,200 workers at its headquarters in Douglas County.

Healthcare and Wellness

- Connect for Health Colorado opened 13 walk-in enrollment centers in 11 Colorado cities. The new locations provide individuals shopping for health care to do it face-to-face, rather than online. The new enrollment centers are located in Adams County, Southeast Denver/Aurora, Colorado Springs, downtown Denver, two in Fort Collins, two in Grand Junction, Greeley, Lafayette, Lakewood, Pueblo, and Wheat Ridge.
- Door to Door Organics Inc., a Louisville-based online natural and organic grocery retailer, secured more than \$25 million in Series B funding. The company announced the funding will help accelerate expansion into new markets, resulting in the addition of new employees in operations, merchandising, and technology.

Information Technology

- SK Hynix memory solutions, a San Jose-based memory chipmaker and semiconductor producer, announced the opening of their Longmont office. The new 9,500-square-foot engineering office will employ 12 people initially. The company was unsure how many more employees they would add in the future.
- MapQuest, a Denver-based company, released a new commuting application for iOS, Android, and Windows devices. The Commute app uses real-time traffic data and push messages to help better plan travel routes. The application informs the user of arrival times based on commuting patterns, traffic information, and road and weather conditions. The company plans to hire 20 more Denver employees in the near future.

Other Business and Employment Headlines

- The Northern Group, a full-service national electric contractor, announced plans to relocate its headquarters to Thornton. The company leased the 116,000-square-foot former Hunter Douglas building. The company currently employs 60 people in the Denver area but expects to grow operations to over 100 employees within the next five years. At full capacity, the company will be the seventh-largest primary employer in Thornton.
- With approval of the City and County of Denver operating budget of \$1.7 billion, the city announced they will add 30 employees to the community planning department. These employees would quicken the approval process for building permits.
- Re/Max Holdings Inc. announced plans to lay off between 25 and 30 people. The company stated the layoffs were to improve efficiencies as they discontinued outdated products and services. It is unclear at which locations the layoffs were taking place.
- WhiteWave Foods Co., a plant-based foods and beverages manufacturer, leased a 50,000-square-foot building in Louisville. The new location will serve as a food preparation, research, and testing facility. Located at 1900 Cherry Street, the company will take up the space at the beginning of March.

Employment Outlook

The *Manpower Employment Outlook Survey* expects fourth quarter hiring in the Denver-Aurora-Broomfield MSA to grow at a slower pace compared with the previous quarter. The percentage of companies hiring decreased 5 percentage points between the third and fourth quarter, with 21 percent of companies expanding their employment levels. This was the highest percentage of companies planning to hire in the fourth quarter since 2008. The percentage of companies planning to decrease employment levels remained unchanged from the third quarter. The majority of companies intend to maintain staff levels through the fourth quarter of the year, with the level rising 6 percentage points over-the-quarter to 70 percent. The survey reported that sectors with the best job outlooks were construction, goods manufacturing, and transportation, while professional and business services planned to reduce staffing levels.

Employment Outlook Survey

	Quarter 4 2014	Quarter 3 2014	Quarter 4 2013	YTD 2014	YTD 2013	Ann Avg 2009
Denver-Aurora-Broomfield MSA						
Percent of Companies Hiring	21%	26%	15%	21%	21%	11%
Percent of Companies Laying Off	8%	8%	7%	6%	7%	12%
Percent of Companies No Change	70%	64%	77%	71%	71%	74%
Percent of Companies Unsure	1%	2%	1%	2%	3%	3%
United States						
Percent of Companies Hiring	19%	22%	18%	19%	19%	15%
Percent of Companies Laying Off	7%	4%	8%	6%	7%	14%
Percent of Companies No Change	72%	71%	72%	72%	72%	68%
Percent of Companies Unsure	2%	3%	2%	3%	3%	5%

Source: Manpower Inc.

Hiring expectations in the U.S. decreased slightly through the fourth quarter of 2014. The percentage of employers planning to increase employment levels fell 3 percentage points between the third and fourth quarter surveys, with 19 percent planning to hire more employees. Companies planning to decrease employment levels increased 3 percentage points from the prior quarter but was 1 percentage point lower than the previous year. The percentage of companies planning to maintain staffing levels (72 percent) rose 1 percentage point from the previous quarter and was unchanged from the prior year. The survey stated that hiring expectations nationwide continued to be strongest in the leisure and hospitality, mining, and wholesale and retail trade sectors.

Unemployment

The unemployment rate throughout the Metro Denver area recorded the lowest level since October of 2007. In October, the Metro Denver unemployment rate fell to 3.6 percent, a 0.3 percentage point decline from the September level and a 2.4 percentage point decline from October 2013. Adams County reported the largest decline in unemployment over-the-year, falling 2.8 percentage points to 4 percent, but still maintaining the highest unemployment rate of the seven Metro Denver counties. Boulder County reported a 2.1 percentage point decline in the unemployment rate between October 2013 and 2014 to 2.9 percent, the lowest level since May 2007 and the lowest rate of the seven counties. Douglas County also recorded a low unemployment rate of 3.1 percent. Colorado’s unemployment rate fell 2.6 percentage points over-the-year to 3.7 percent during the month of October. The national unemployment rate decreased to 5.5 percent in October compared with 5.7 percent in September and was 1.5 percentage points below the previous year.

MONTHLY ECONOMIC INDICATORS

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

	October 2014		2014 YTD Avg		2013 YTD Avg		2009	2004
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Ann Avg Unemployment Rate	Ann Avg Unemployment Rate
Metro Denver	1,625.3	3.6%	1,608.2	5.2%	1,584.0	6.6%	8.2%	5.8%
Adams County	240.4	4.0%	238.9	5.9%	236.5	7.7%	9.4%	6.5%
Arapahoe County	336.3	3.8%	332.9	5.3%	327.6	6.6%	8.1%	5.7%
Boulder County	187.9	2.9%	184.5	4.2%	180.4	5.3%	6.8%	4.9%
Broomfield County	32.8	3.4%	32.5	4.9%	32.0	6.3%	7.7%	5.8%
Denver County	341.7	3.9%	338.8	5.6%	334.4	7.2%	9.0%	6.6%
Douglas County	171.4	3.1%	169.2	4.4%	166.1	5.5%	6.9%	4.7%
Jefferson County	314.7	3.4%	311.5	5.0%	307.0	6.4%	7.9%	5.4%
Colorado	2,818.1	3.7%	2,798.2	5.4%	2,756.6	6.9%	8.1%	5.6%
United States	156,616	5.5%	155,924	6.3%	155,522	7.5%	9.3%	5.5%

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

October unemployment insurance claims increased in Metro Denver, rising 11.2 percent between September and October. However, the October level was 18.2 percent lower than the year-ago level. Claims throughout Colorado also increased over-the-month, rising 18.8 percent, but were 19 percent below the previous year's level.

Weekly First-Time Unemployment Insurance Claims

	Month of Oct-14	Month of Sep-14	Month of Oct-13	YTD Avg 2014	YTD Avg 2013	YTD Avg % Change	Ann Avg 2009
Metro Denver	1,231	1,107	1,505	1,340	1,563	-14.3%	2,541
Colorado	2,497	2,102	3,082	2,512	3,050	-17.6%	4,752

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

The Consumer Confidence Index for the U.S. decreased in November, reporting a level of 88.7 from the revised October level of 94.1, a decrease of 5.7 percent over-the-month. The national index for November 2014 was 23.1 percent above the November 2013 level. Analysts at The Conference Board stated the Present Situation Index fell 3.3 percent to 91.3 and the Expectations Index dropped 7.8 percent to 87 in November. They also reported that the index's reduction was attributed to declining optimism in the short-term outlook and consumers were less positive about current business conditions and the present state of the job market.

Colorado is included in the Mountain Region Index and the area reported significant growth in consumer confidence. The index rose to 102.8 in November from the October revised level of 74.1, increasing 38.7 percent over-the-month and 42.5 percent over-the-year. For the Mountain Region Index, the Present Situation Index rose to 113.8 in November from 75.8 in October, while the Expectations Index rose to 95.4 from 72.9 in October.

MONTHLY ECONOMIC INDICATORS

Consumer Confidence Index

	Month of Nov-14 (p)	Month of Oct-14	Month of Nov-13	YTD Avg 2014	YTD Avg 2013	YTD Avg % Change	Ann Avg 2009	Ann Avg 2004
Mountain	102.8	74.1	72.1	88.4	73.7	20.0%	49.7	108.8
United States	88.7	94.1	72.0	85.9	72.8	17.9%	45.2	96.1

Source: The Conference Board. (p) = preliminary

National retail sales increased through October compared with the previous year's level, with overall retail sales rising 4.2 percent during the period. Sales were also 0.3 percent higher than the September level. Motor vehicle sales rose 0.5 percent between September and October and were 8 percent higher between October 2013 and 2014. The building materials sector reported a 0.4 percent increase over-the-month and 6.5 percent increase over-the-year. Gasoline sales continued to decline through October 2014 compared with the previous year, falling 3.4 percent, marking the fifth consecutive month of over-the-year declines. Core retail sales, which excludes motor vehicle, building material, and gasoline sales, reported a 0.6 percent increase between September and October.

With the start of the holiday shopping season, the National Retail Federation predicted that there will be a 4.1 percent increase in retail sales to \$616.9 billion between November and December. The International Council of Shopping Centers reported they expect retail sales to increase by 4 percent to \$488.6 billion. The difference in forecast levels is attributed to different tracking systems. However, both forecasts exclude auto, gas, grocery, and restaurant sales.

Metro Denver retail sales continued to improve through May. Metro Denver retail sales increased 1.6 percent over-the-year, with total retail sales reaching over \$8.5 billion in May. Five of the seven Metro Denver counties reported over-the-year growth and all seven counties posted over-the-month increases. Douglas County reported the largest decline in retail sales between May 2013 and 2014, falling 7.2 percent to \$674 million. Arapahoe County retail sales also fell 0.2 percent over-the-year. The largest increase in retail sales over-the-year was in the City and County of Broomfield, where sales rose 9.9 percent to \$188 million. Adams County reported the greatest over-the-month increase in sales, rising 11.8 percent, while the City and County of Denver reported the smallest growth, increasing 3 percent. Retail sales in Colorado were 3.6 percent higher in May 2014 than May 2013.

Total Retail Sales (\$000s)

	Month of May-14	Month of Apr-14	Month of May-13	YTD Total 2014	YTD Total 2013	YTD Total % Change	Annual Growth 2009	Annual Growth 2004
Total Metro Denver	8,537,363	8,039,236	8,405,140	40,783,912	39,438,808	3.4%	-11.6%	7.4%
Adams County	1,940,488	1,736,123	1,832,460	8,914,329	8,358,781	6.6%	-17.4%	11.7%
Arapahoe County	1,655,467	1,561,049	1,658,808	7,926,262	7,871,262	0.7%	-8.2%	2.6%
Boulder County	735,542	695,068	724,848	3,635,560	3,536,566	2.8%	-9.1%	2.1%
Broomfield County	187,840	180,495	170,859	877,179	812,406	8.0%	-8.3%	49.4%
Denver County	2,060,878	2,001,273	2,027,648	10,035,040	9,717,297	3.3%	-13.5%	8.1%
Douglas County	673,860	620,106	726,111	3,162,167	3,141,301	0.7%	-5.7%	16.9%
Jefferson County	1,283,288	1,245,122	1,264,406	6,233,375	6,001,195	3.9%	-10.5%	3.8%
Colorado	13,937,560	13,184,834	13,455,660	67,704,786	64,192,146	5.5%	-12.2%	7.8%

Source: Colorado Department of Revenue.

According to the U.S. Bureau of Labor Statistics, the U.S. Consumer Price Index (CPI) decreased 0.3 between September and October but recorded a 1.7 percent increase over-the-year. The core CPI—which excludes food and energy costs—increased 1.8 percent over-the-year and 0.2 percent over-the-month. The increase in the overall CPI between October 2013 and 2014 was attributed to a 2.9 percent increase in the food and beverage index and a 2.7 percent in the housing index. The over-the-month decrease in the overall CPI was mainly attributed to a 1.7 percent decrease in the transportation index.

According to the *AAA Daily Fuel Gauge Report*, the national average fuel price for November decreased 7.5 percent from October to \$2.77 per gallon. The November average fuel price was 15.4 percent lower than the prior year's level (\$3.27 per

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gallon). Metro Denver reported an 8.4 percent decrease in the average fuel price between October and November. The average fuel price of \$2.78 per gallon for November in Metro Denver was \$0.01 higher than the national average. The area reported average fuel prices 9.6 percent lower in November 2014 than the previous year's level.

Stock Market

The nation's stock market indices rose in November, with three of the four stock market indices reporting growth between October and November. The Bloomberg Colorado index reported the only decline over-the-month, falling 0.6 percent to 604.94. The NASDAQ reported the largest over-the-month increase, rising 3.5 percent to 4,791.63 in November. The S&P 500 and DJIA also reported increases between October and November, both rising 2.5 percent. All four indices reported levels for November 2014 that were higher than the November 2013 levels.

Stock Market Indexes

	Month of Nov-14	Month of Oct-14	Month of Nov-13	YTD Return 2014	YTD Return 2013	Ann Avg Return 2009	Ann Avg Return 2004
Bloomberg Colorado	604.9	608.7	600.6	-0.9%	28.5%	46.2%	17.7%
S&P 500	2,067.6	2,018.1	1,805.8	11.9%	26.6%	23.5%	9.0%
NASDAQ	4,791.6	4,630.7	4,059.9	14.7%	34.5%	43.9%	8.6%
DJIA (Dow Jones)	17,828.2	17,390.5	16,086.4	7.6%	22.8%	18.8%	3.1%

Sources: Bloomberg.com; Yahoo! Finance.

Travel & Tourism

The average hotel occupancy rate in Metro Denver fell 0.4 percentage points to 81.7 percent occupancy in October compared with the September level. However, the October level was 6.6 percentage points higher than the previous year. The average room rate for October was \$136.73 per night, 2.1 percent higher than the September level and 11 percent higher over-the-year.

Metro Denver Hotel Statistics

	Month of Oct-14	Month of Sep-14	Month of Oct-13	YTD Avg 2014	YTD Avg 2013	YTD Avg % Change	Annual 2009	Annual 2004
Percent of Hotel Rooms Occupied	81.7%	82.1%	75.1%	78.6%	73.2%	7.4%	59.0%	61.9%
Average Hotel Room Rate	\$136.73	\$133.86	\$123.20	\$125.74	\$116.22	8.2%	\$106.85	\$84.42

Source: Rocky Mountain Lodging Report.

Spokespeople for Denver International Airport (DIA) reported that nearly 4.5 million passengers passed through the airport in September, decreasing 9 percent from the 4.9 million passengers in August. However, the September 2014 level was 3.3 percent higher than the September 2013 level, recording an additional 142,880 passengers through the airport.

Denver International Airport Passengers

	Month of Sep-14	Month of Aug-14	Month of Sep-14	YTD Total 2014	YTD Total 2013	YTD Total % Change	Annual 2009	Annual 2004
Number of Airline Passengers	4,489,382	4,935,197	4,346,502	40,429,154	39,529,845	2.3%	50,167,485	42,275,913

Source: Denver International Airport, Traffic Statistics.

Residential Real Estate

- Boulder Housing Partners opened a two-story, multifamily apartment building for chronically homeless people in Boulder. Located at 1175 Lee Hill Drive, the 31 one-bedroom, fully furnished apartments are 30 percent more energy efficient than the city code, with a 56-kilowatt solar array that offsets 100 percent of common area electricity demand.

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Amenities include indoor/outdoor community spaces, laundry facilities, community rooms, and individual case managers.

- Denver's River North neighborhood will be home to a new mixed-use development along Brighton Boulevard between 31st and 35th Streets. The development will include 23 townhomes, 100 condominiums, and 40,000 square feet of retail space. The 4.5-acre development will cost between \$75 and \$90 million and will be developed by Brooke and Tom Gordon. The Gordons are working with Sprocket Design-Build to design the project.
- A large real estate development in Denver's LoDo neighborhood will be anchored by the new Whole Foods Market. The development, called 17W, will include three 10-story apartment towers atop the 56,000-square-foot Whole Foods store and 12,000 square feet of retail space. The complex will include 640 units, with a 656-space underground parking structure. Residents will have access to 25,000 square feet of common areas and outdoor amenities.
- True Life Co., a California based company, announced a master-planned community in Thornton called Willow Bend. The community will span 204 acres at 144th Avenue and Holly Street with 497 single-family homes. The company expects the first completed subdivision of homes during the first half of 2016. Home prices will range from mid-\$300,000's to mid-\$400,000's.
- Wind Crest, a Highlands Ranch retirement community, announced a near \$60 million expansion. The extension of the current campus will include three new residential buildings, with the first opening in December 2014 and the second in the spring of 2015.

Home Resales

The National Association of Realtors (NAR) released the October analysis of U.S. existing-home sales, reporting that sales rose 1.5 percent between September and October to 5.26 million homes sold annually. October home sales increased at the highest annual pace since September 2013 and were 2.5 percent above the October 2013 level. The housing inventory fell through October with a 2.6 percent decrease over-the-month, representing a 5.1-month supply, but was 5.2 percent higher over-the-year. NAR economists said that low interest rates and steady price gains helped stabilize price growth. Further, the strengthening job market supports solid demand for the end of the year, which could lead to additional months of over-the-year sales gains.

Existing home sales in Metro Denver continued to decline between September and October, falling 11.4 percent to 4,348 total homes sold during the month of October. The October home sales were unchanged in 2014 compared with the previous year. Unsold homes on the market were 10.7 percent lower in October 2014 than September and 30.7 percent lower than the previous year's inventory level. The average sales price for single-family homes rose 1 percent between September and October to \$363,278 and was 9.7 percent higher than the previous year's price. The average sales price of condominiums (\$234,180) increased 7.1 percent over-the-month and was 12.8 percent higher over-the-year.

Previously-Owned Home Sales Activity

	Month of Oct-14	Month of Sep-14	Month of Oct-13	YTD Total 2014	YTD Total 2013	YTD Total % Change	Ann Total 2009	Ann Total 2004
Home Sales (Closed)	4,348	4,910	4,346	45,519	46,231	-1.5%	42,070	53,482
Unsold Homes on Market	6,748	7,556	9,734	6,748	9,734	-30.7%	16,456	20,301
Average Sales Price-Single Family	\$363,278	\$359,607	\$331,259	\$362,365	\$336,163	7.8%	\$264,803	\$289,971
Average Sales Price-Condo	\$234,180	\$218,595	\$207,609	\$222,600	\$197,516	12.7%	\$159,628	\$181,054
Median Sales Price-Single Family	\$307,250	\$310,000	\$274,600				\$219,000	\$236,240
Median Sales Price-Condo	\$185,000	\$180,000	\$163,000				\$135,000	\$157,000

Note: Data consists of the 11 counties in the Denver-Aurora and Boulder MSAs.

Source: Denver Metro Association of Realtors.

Home Prices

NAR data shows the October median existing-home sales price across the U.S. was \$208,300, an over-the-year increase of 5.5 percent. Median housing prices increased over-the-year across the nation's four regions through October. The Midwest reported the largest increase between October 2013 and 2014, rising 6.8 percent to a median home price of \$164,100. The West reported the highest median home price (\$296,800), which was 5 percent above the previous year's level. The South (\$178,000) and the Northeast (\$246,900) also reported significant increases in the median home price, rising 5.1 percent and 1.2 percent, respectively.

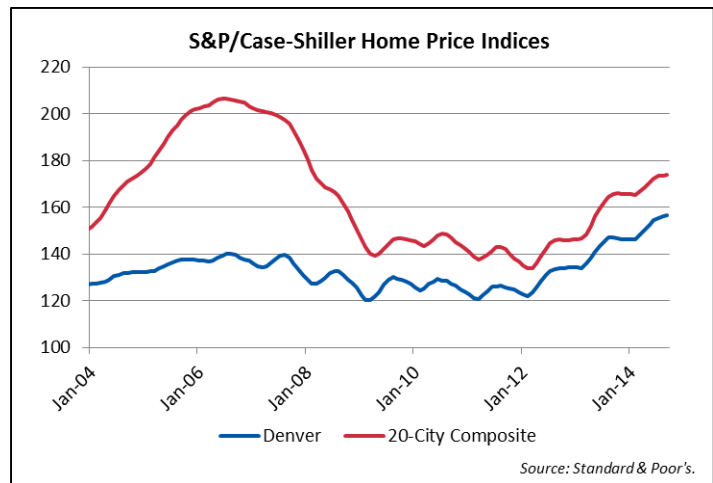
Median Sales Price of Existing Single-Family Homes (\$000s)

	Quarter 3 2014 (p)	Quarter 2 2014 (r)	Quarter 3 2013	YTD Avg 2014	YTD Avg 2013	YTD Avg % Change	Median 2009	Median 2004
Boulder MSA	\$439.9	\$448.8	\$410.9	\$435.8	\$410.0	6.3%	\$345.5	\$325.3
Denver-Aurora MSA	\$315.5	\$316.3	\$286.9	\$306.7	\$278.2	10.3%	\$219.9	\$239.1
United States	\$217.3	\$212.0	\$207.1	\$206.8	\$195.6	5.7%	\$172.1	\$195.2

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

A separate NAR report revealed that growth in median home prices throughout the Metro Denver area slowed during the third quarter of the year. The Boulder MSA reported a 2 percent decrease (\$439,900) in home prices between the second quarter of 2014 and the third quarter of 2014. However, Boulder home prices were 7.1 percent higher than the third quarter of 2013. The Denver-Aurora MSA reported a slight decline in home prices, reporting a 0.3 percent decrease in prices over-the-quarter to \$315,500. Between the third quarter of 2013 and 2014, the Denver-Aurora MSA recorded a 10 percent increase in the median sales price. The national median sales price rose 2.5 percent over-the-quarter to \$217,300 and was nearly 5 percent higher than the previous year's level. Of the 175 MSAs included in the third quarter 2014 report, the Boulder MSA reported the eighth highest median price and the Denver-Aurora MSA median price was 19th highest.

According to the S&P/Case-Shiller home price index, Denver housing prices increased through September compared with August. The Denver index rose 0.2 percent to 156.50, an absolute increase of 0.33 points, recording the sixth largest over-the-month increase of the 20 cities. Of the 20 cities tracked by the index, 10 reported over-the-month increases, nine recorded declines, and one reported no change. However, all 20 cities continued to record over-the-year increases for the fifth consecutive month. Denver's home prices in September 2014 were 6.2 percent higher than the prior year's level. Miami (+10.3 percent) recorded the largest over-the-year increase, while Cleveland (+0.8 percent) reported the smallest increase. The national home price index rose 4.8 percent between September 2013 and 2014. Analysts with the company stated that the housing outlook for 2015 is stable, with sales of existing homes rising, improved builder confidence, foreclosures declining, and mortgage rates at pre-crisis levels.



Foreclosures

Housing foreclosures throughout the Metro Denver area declined in four of the seven counties between October 2013 and 2014. Metro Denver recorded an 8.5 percent decrease in foreclosures in October compared with the previous year, but the total was 26.3 percent higher than the previous month. Adams and Boulder Counties reported the only increase in foreclosures over-the-year, rising 35.4 percent and 17.6 percent, respectively. The City and County of Broomfield reported the largest decline in foreclosures, falling over 57 percent between October 2013 and 2014. Douglas County also reported significant declines in foreclosures through October, falling 52.9 percent to 32 total foreclosures.

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Real Estate Foreclosures

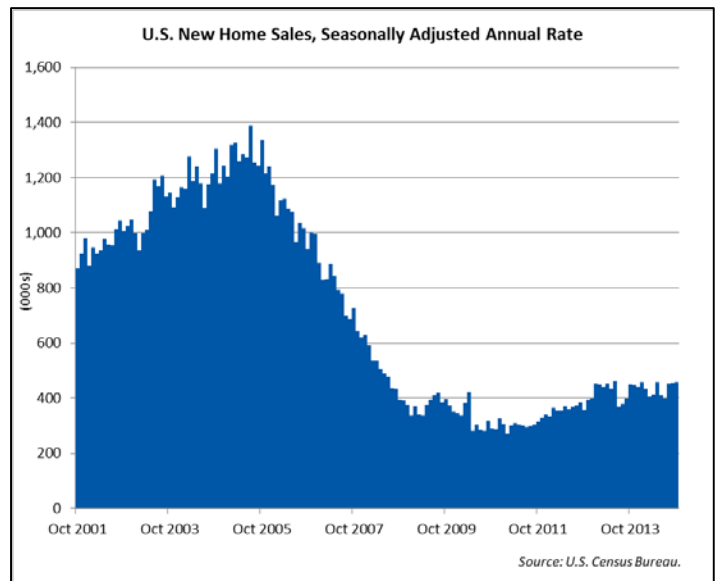
	Month of Oct-14	Month of Sep-14	Month of Oct-13	YTD Total 2014	YTD Total 2013	YTD Total % Change	Annual Total 2009	Annual Total 2004
Total Metro Denver*	432	342	472	4,545	6,691	-32.1%	26,509	12,311
Adams County	107	83	79	1,027	1,443	-28.8%	5,646	2,499
Arapahoe County	95	81	110	1,118	1,564	-28.5%	6,233	3,125
Boulder County	20	17	17	231	349	-33.8%	1,441	524
Broomfield County	3	4	7	51	91	-44.0%	341	132
Denver County	82	88	98	939	1,403	-33.1%	6,141	3,351
Douglas County	32	29	68	358	661	-45.8%	2,680	800
Jefferson County	93	40	93	821	1,180	-30.4%	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.

RealtyTrac released the October foreclosure report, stating the U.S. foreclosure rate increased 15 percent between September and October. This marked the largest over-the-month increase in foreclosures since the peak of foreclosure activity in March 2010. However, the total filings for October (123,109) were 8 percent below the October 2013 level. According to the report, there were over 59,800 properties scheduled for foreclosure auction in October, 24 percent higher than the September level and 7 percent above the previous year's level. This was the highest level of auctions since May 2013. Vice president of RealtyTrac Daren Blomquist stated that the increase foreclosure auctions was not a complete surprise as there has been an 8 percent average increase in October scheduled auctions for the last three years as banks get ahead of usual holiday foreclosure moratoriums. He further said that the magnitude of the October 2014 increase suggests that there is more than a seasonal pattern at work and distressed properties are being cleared for auction.

New Homes

The Census Bureau report on new home sales – after adjustment for seasonal trends – stated that national home sales increased in October to 458,000 annual sales from the revised September level of 455,000 annual sales. The October home sales level was 0.7 percent higher than September and was 1.8 percent above the previous year's level. Two of the four national regions reported increases between September and October. With 66,000 total sales, the Midwest reported the largest over-the-month increase, rising 15.8 percent. The Northeast reported a 7.1 percent increase over-the-month to 30,000 total sales. The West and the South recorded declines during the same period, falling 2.7 percent and 1.9 percent, respectively. The West was the only region to report an increase in home sales between October 2013 and 2014, rising 27.9 percent to 110,000 total sales. The Northeast reported the largest over-the-year decrease in sales, falling 6.3 percent. The South recorded a 4.5 percent decrease over-the-year, while the Midwest recorded a 2.9 percent decrease during the same period.



The National Association of Homebuilders (NAHB)/Wells Fargo Housing Market Index rose 4 points to 58 in November from the October level of 54. The increase in the index shows that home construction continued to improve through November. The report stated that the growth in the index was attributed to a 5 point increase in current sales conditions, a 4 point rise in prospective buyers traffic, and a 2 point increase in expectations for future sales.

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According to the Census Bureau, the seasonally adjusted annual number of nationwide residential building permits increased in October (1.08 million permits), rising 4.8 percent from September and 1.2 percent from October 2013. The increase in permits is attributed to growth in single-family attached units (34,000 permits), reporting a 41.7 percent increase in total permits between September and October. Further, the single-family attached permits were 13.3 percent above the previous year's level. Single-family detached permits nationwide rose 1.4 percent between September and October and were 2.4 percent higher than October 2013. Multi-family units were 8 percent above the previous month's level and 1.5 percent below the previous year's level. The West and the South reported increases in permits over-the-month, rising 21.6 percent and 8.8 percent, respectively. The Northeast (-21.5 percent) and the Midwest (-11.4 percent) reported decreases in permits over-the-month. The West was the only region to report an increase in permits between October 2013 and 2014, rising 17.6 percent to 287,000 total permits.

Residential building permits for the Metro Denver area continued to report significant growth through October compared with the prior year. Metro Denver reported a 52.4 percent increase in total permits issued between October 2013 and 2014, with 689 more permits issued. Single-family detached permits rose nearly 12 percent over-the-year, while single-family attached permits fell 26.1 percent with 12 fewer permits. Much of total permit growth was attributed to a significant increase in multi-family permits, rising 98.1 percent and reporting 626 more permits in October 2014 compared with October 2013. Compared with September 2014, permits though October in Metro Denver rose 30.3 percent with 466 more permits. The single-family attached market type reported a 100 percent increase in permits over-the-month, with 17 additional permits, while the single-family detached market type recorded an 18.4 percent increase.

Residential Building Permits

	Month of Oct-14	Month of Sep-14	Month of Oct-13	YTD Total 2014	YTD Total 2013	YTD Total % Change	Total 2009	Total 2004
Single-Family Detached Units	707	597	632	7,188	6,135	17.2%	2,690	19,069
Single-Family Attached Units	34	17	46	318	272	16.9%	133	374
Multi-Family Units	1,264	925	638	7,243	6,926	4.6%	1,465	3,108
Total Units	2,005	1,539	1,316	14,749	13,333	10.6%	4,288	22,551

Note: The source for this series changed with August 2014 data from The Homebuilder Association of Metro Denver to the U.S. Census Bureau; data cannot be compared with prior reports.

Source: U.S. Census Bureau.

Apartment Rental Market

The *Denver Metro Apartment Vacancy and Rent Survey* for the third quarter of 2014 reported the third consecutive quarter of decreasing vacancy rates. The Metro Denver apartment vacancy rate fell 0.8 percentage points to 3.9 percent from the second quarter level, the lowest vacancy rate since the third quarter of 2000. Declines in five of the six submarkets contributed to the over-the-quarter decline. The City and County of Denver reported the largest decline in vacancy between the second quarter and the third quarter, falling 2.1 percentage points to 3.5 percent vacancy. The Boulder/Broomfield submarket also reported a significant decline in the vacancy rate, decreasing 1.1 percentage points to 3.3 percent. Adams County (3.9 percent), Douglas County (3.7 percent), and Jefferson County (3.2 percent) reported vacancy rate declines over-the-quarter of less than one percent. Arapahoe County (4.6 percent) reported no change in the vacancy rate during the same period.

Apartment Statistics

	Quarter 3 2014	Quarter 2 2014	Quarter 3 2013	YTD Average 2014	YTD Average 2013	YTD Average % Change	Annual Average 2009	Annual Average 2004
Apartment Vacancy Rate	3.9%	4.7%	4.4%	4.6%	4.4%		8.1%	9.7%
Average Monthly Rental Rate (all units)	\$1,145	\$1,117	\$1,049	\$1,112	\$1,021	8.9%	\$877	\$817

Source: Denver Metro Apartment Vacancy and Rent Survey.

As vacancy rates declined during the third quarter, the average rental rate of apartments in Metro Denver continued to set new record highs. The third quarter average rental rate in Metro Denver (\$1,145) was 2.5 percent higher than the previous

quarter's level. This rate was also 9.2 percent higher than the third quarter of 2013, marking the 18th consecutive quarter of over-the-year gains. All six submarkets continued to report average rental rates above \$1,000 during the third quarter, with average rental rates ranging from \$1,067 in Adams County to \$1,372 in Douglas County. Jefferson County (+11.5 percent), Douglas County (+11 percent), and Adams County (+10.8 percent) reported the largest increases in rental rates between the third quarters of 2013 and 2014.

Commercial Real Estate

- Alberta Development Partners broke ground on The Promenade at Castle Rock. The \$117 million retail development spans 200 acres of vacant land. When completed, the development will be a complex of large-format retail, service, and restaurant space split into four different districts. The 1 million-square-foot development will take between one and four years to complete with retailers opening between 2015 and 2018. Existing retailers at the neighboring Outlets at Castle Rock are prohibited from moving to the new shopping center until after 2024.
- United Properties partnered with Principal Real Estate Investors to develop a 58-acre parcel in Centennial. The development, called Dry Creek Corporate Center, will add 650,000 square feet of mixed-use space to the area. Located east of Interstate 25 at East Dry Creek Road, the project will offer office, industrial, residential, and hospitality uses. Ground breaking for 158,000 square feet of office space is expected in spring 2015. The companies plan to seek Leadership in Energy and Environmental design (LEED) from the U.S. Green Building Council.
- The Longmont Times-Call building will serve as Longmont's first co-working space, a project called Launch Longmont. Terry Gold, the project manager, stated the building and co-working space would eventually serve as an incubator and accelerator for entrepreneurs. The Times-Call building already has 5,000 square feet of space leased out on the first floor and the company plans to do a complete build out of the second floor to expand the project. The space will accommodate about 40 people during the first phase, who can rent anything from a seat to a desk to an office.

Office Market

- According to the Newmark Grubb Knight Frank third quarter release, the Denver office market continues to report expansionary trends. The report stated that between the second and third quarter of 2014 there was a decline in the vacancy rate, marking the 20th consecutive quarter of declines, and positive net absorption. The year-to-date quarterly net absorption rose to 1.3 million square feet, with activity spread across all nine submarkets in Metro Denver. The report also stated that the office development pipeline in Denver contains 10 projects currently under construction or renovation, totaling 1.9 million square feet. New developments are concentrated in the LoDo micromarket and the Midtown submarket. The company expects that rental rates in the Central Business District, Northwest, and Southeast Suburban submarkets to rise to new highs for Class A and B space through the end of the year.
- The Denver office market report by CBRE stated the market recorded notable growth in key fundamentals during the third quarter of 2014. The company reported that direct vacancy declined, direct asking lease rates appreciated, and net absorption was positive. There was also heightened activity in investment and construction over the past 12 months due to continued tightening of the office market in Metro Denver. Investment sales activity reached a transaction volume of \$301.4 million in the third quarter and a year-to-date total of \$1.5 billion, making a 37.9 percent increase in transaction volume over the 2013 year-to-date level. The company stated that the energy resources and financial services industries are leading the market in tenant demand, which they believe will lead to stable growth and demand through the end of the year.

The Metro Denver office market continued to report declines in the vacancy rate and growth in the average lease rate through the third quarter of 2014. According to CoStar, the direct vacancy rate fell 0.4 percentage points to 10.5 percent vacancy. The 2014 direct vacancy rate was the lowest second quarter vacancy rate since the third quarter of 2001 when the vacancy rate was 8.7 percent. The average lease rate rose 4.6 percent during the third quarter compared with the previous year's level. The average lease rate gained \$1 per square foot between the third quarters of 2013 and 2014.

Office property construction increased significantly through the third quarter and projects completed to date were higher than prior years. There was 1.8 million square feet of space under construction through the third quarter of 2014, a 43.7

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percent increase from the prior year. There was 980,000 square feet of space completed as of September 2014, which was the highest level of the last three years during the same time. The largest office projects completed so far this year were the first two buildings of the Charles Schwab campus in Lone Tree, each spanning 187,500 square feet.

Office Market Statistics

	Quarter 3 2014	Quarter 2 2014	Quarter 3 2013	Quarter 3 2012	Quarter 3 2011	Quarter 3 2010
Number of Buildings	5,947	5,940	5,923	5,907	5,895	5,875
Existing Square Feet (millions)	174.0	173.4	172.6	171.7	170.8	169.9
Vacant Square Feet (direct, millions)	18.2	18.8	19.6	21.3	21.8	22.8
Vacancy Rate (direct)	10.5%	10.9%	11.3%	12.4%	12.7%	13.4%
Vacancy Rate (with sublet)	11.0%	11.3%	11.8%	12.7%	13.2%	14.2%
Avg. Lease Rate (direct, per sq. ft, full service)	\$22.69	\$22.43	\$21.69	\$20.58	\$19.93	\$20.16
New Construction Completed (year-to-date)	0.98 MSF, 18 Bldgs	0.31 MSF, 12 Bldgs	0.80 MSF, 11 Bldgs	0.83 MSF, 7 Bldgs	0.48 MSF, 10 Bldgs	1.03 MSF, 7 Bldgs
Currently Under Construction	1.81 MSF, 19 Bldgs	1.73 MSF, 21 Bldgs	1.26 MSF, 17 Bldgs	0.95 MSF, 9 Bldgs	0.91 MSF, 9 Bldgs	0.54 MSF, 15 Bldgs

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

Industrial & Flex Market

- In an analysis by CBRE, the industrial market in Metro Denver reported continued growth through the third quarter driven by strong local economic growth. The analysis showed that speculative construction increased across Metro Denver over the last few quarters, showing that developers, lenders, and investors have strong confidence in future market growth. CBRE expects new construction activity to remain high through the end of the year, with over 30 percent of the product under construction pre-leased. They also predicted that investment activity will likely increase, gradual growth in direct asking rates across all asset types, and continued positive net absorption through the fourth quarter.
- The third quarter analysis of the industrial and flex market released by Newmark Grubb Knight Frank stated that the market is expected to report solid growth through the end of the year. The industrial market reported the 11th consecutive quarter of growth with positive net absorption, with the year-to-date total net absorption reaching 3.3 million square feet. The report stated that net absorption was down compared with other quarters, but attributes the decline to particularly low product availability rather than a slowing of the market. Companies broke ground on eight new buildings during the third quarter and there were four buildings completed during the same period. The company reported that as vacancy approaches historic lows, rental rates are expected to increase during the final quarter of 2014 as demand continues to build with new supply being pre-leased before delivery.

CoStar Realty data reported improved trends in the industrial market during the third quarter of 2014. The third quarter direct vacancy rate was 0.7 percentage points lower than the third quarter of 2013. The average lease rate rose 17.3 percent between the third quarters of 2014 and 2013, adding \$0.85 per square foot to the average lease rate. There was also a 2.5 percent increase over-the-quarter in the average lease rate. There was 2.1 million square feet of industrial space completed through the third quarter of the year, the highest level since the third quarter of 2002. There were 19 completed buildings through the third quarter, with five of them over 250,000 square feet. There was also nearly 1.8 million square feet of space under construction during the period, including the fifth building at the Enterprise Business Center at Stapleton and the third building at the Mile High Business Center.

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Industrial Market Statistics

	Quarter 3 2014	Quarter 2 2014	Quarter 3 2013	Quarter 3 2012	Quarter 3 2011	Quarter 3 2010
Number of Buildings	6,924	6,916	6,898	6,888	6,879	6,869
Existing Square Feet (millions)	204.5	204.0	202.1	200.9	200.6	200.2
Vacant Square Feet (direct, millions)	7.5	7.2	8.9	11.6	13.0	12.2
Vacancy Rate (direct)	3.7%	3.6%	4.4%	5.8%	6.5%	6.1%
Vacancy Rate (with sublet)	3.9%	3.8%	4.7%	6.3%	6.8%	6.7%
Avg. Lease Rate (direct, per square foot, NNN)	\$5.75	\$5.61	\$4.90	\$4.65	\$4.57	\$4.74
New Construction Completed (year-to-date)	2.13 MSF, 19 Bldgs	1.18 MSF, 13 Bldgs	0.89 MSF, 4 Bldgs	0.27 MSF, 6 Bldgs	0.28 MSF, 4 Bldgs	0.07 MSF, 3 Bldgs
Currently Under Construction	1.77 MSF, 8 Bldgs	1.31 MSF, 9 Bldgs	0.63 MSF, 7 Bldgs	0.60 MSF, 7 Bldgs	0.04 MSF, 2 Bldgs	0.08 MSF, 1 Bldgs

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

The Metro Denver flex market reported mixed trends through the third quarter of the year. The direct vacancy rate for flex space declined 0.5 percentage points to 8.8 percent between the second and third quarters of 2014, the lowest third quarter rate since the data has been collected. The average lease rate decreased 0.6 percent over-the-quarter to \$9.66 per square foot. However, the second quarter average lease rate was 3.4 percent higher than the previous year and added \$0.32 per square foot during the period. The flex market reported 370,000 square feet of new space was completed through the end of the third quarter and 530,000 square feet of space remains under construction.

Flex Space Statistics

	Quarter 3 2014	Quarter 2 2014	Quarter 3 2013	Quarter 3 2012	Quarter 3 2011	Quarter 3 2010
Number of Buildings	1,462	1,461	1,455	1,451	1,449	1,448
Existing Square Feet (millions)	40.9	40.9	40.5	40.4	40.3	40.3
Vacant Square Feet (direct, millions)	3.6	3.8	4.5	4.9	5.2	5.6
Vacancy Rate (direct)	8.8%	9.3%	11.2%	12.1%	12.8%	13.9%
Vacancy Rate (with sublet)	10.1%	10.7%	12.6%	13.5%	14.0%	15.3%
Avg. Lease Rate (direct, per square foot, NNN)	\$9.66	\$9.72	\$9.34	\$8.72	\$8.88	\$9.16
New Construction Completed (year-to-date)	0.37 MSF, 6 Bldgs	0.36 MSF, 5 Bldgs	0.10 MSF, 3 Bldgs	0.12 MSF, 2 Bldgs	0 MSF, 0 Bldgs	0.05 MSF, 2 Bldgs
Currently Under Construction	0.53 MSF, 6 Bldgs	0.42 MSF, 6 Bldgs	0.07 MSF, 2 Bldgs	0.20 MSF, 2 Bldgs	0 MSF, 1 Bldgs	0 MSF, 0 Bldgs

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

Retail Market

- Newmark Grubb Knight Frank's analysis of Denver's retail market during the third quarter reported that the market continued to expand. The retail market report stated that there was solid net absorption, declining vacancy, and a moderate amount of well-leased development. The eleven retail submarkets in Metro Denver recorded positive quarterly absorption. The Northeast submarket reported the strongest quarterly absorption, with 138,754 square feet absorbed during the third quarter. The report also stated that the Central Business District, Cherry Creek, Midtown, and the Southeast submarkets all recorded increases in the median asking rental rate. There were four projects completed during the third quarter, totaling 206,509 square feet, and the development pipeline includes 291,779 square feet under construction. The company expects that pent-up demand for retail space will drive speculative development in the coming months.
- According to a retail market analysis by CBRE, the Metro Denver retail market was strong through the third quarter. The market recorded slight growth in net absorption, significant increases in completed construction, and small increases in the average lease rates. The company stated that third quarter investment volume totaled over \$128

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million, up 15.3 percent from the second quarter. The market received many notable completed projects including Trader Joe's in Central Denver, Conn's Home Plus at Arvada Marketplace, and Denver's first Sierra Trading Post at Cherry Hills Marketplace. CBRE expects that the Metro Denver retail market will continue a path of restrained expansion through 2015.

The retail market in Metro Denver reported slight improvements through the third quarter of 2014. The direct vacancy rate decreased 0.1 percentage points between the second and third quarter of 2014, and was 0.5 percentage points below the third quarter 2013 level. The average lease rate for retail space increased, rising 0.8 percent over-the-quarter and adding \$0.13 per square foot. Compared with the third quarter of 2013, the average lease rate was 2 percent higher in the third quarter of 2014 and \$0.30 per square foot more expensive.

Most of the retail spaces completed have been relatively small projects. Of the 43 buildings completed so far in 2014, 19 of them are smaller than 5,000 square feet, with an overall average size of 8,300 square feet. Adams County had the two largest buildings completed in the Metro Denver area, one at 59,500 square feet and the other at 28,000 square feet. An additional 16 retail buildings were under construction during the third quarter, totaling about 187,000 square feet.

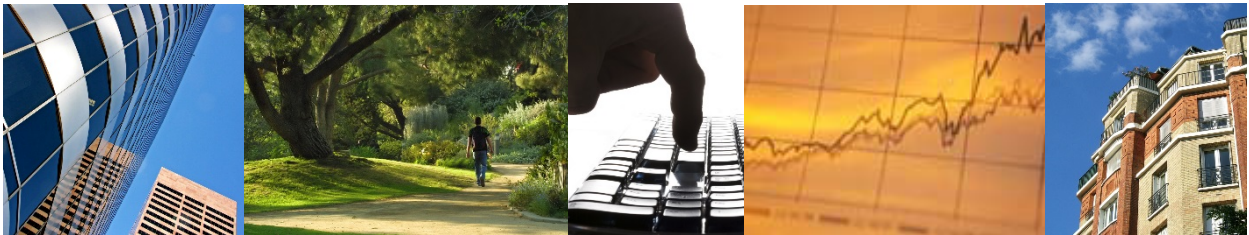
Retail Market Statistics

	Quarter 3 2014	Quarter 2 2014	Quarter 3 2013	Quarter 3 2012	Quarter 3 2011	Quarter 3 2010
Number of Buildings	11,460	11,440	11,392	11,308	11,264	11,230
Existing Square Feet (millions)	159.9	159.7	159.2	157.7	157.3	156.1
Vacant Square Feet (direct, millions)	9.1	9.3	9.8	10.6	11.1	11.8
Vacancy Rate (direct)	5.7%	5.8%	6.2%	6.7%	7.1%	7.6%
Vacancy Rate (with sublet)	5.8%	5.9%	6.4%	6.9%	7.3%	7.8%
Avg. Lease Rate (direct, per square foot, NNN)	\$15.51	\$15.38	\$15.21	\$14.69	\$14.55	\$15.01
New Construction Completed (year-to-date)	0.36 MSF, 43 Bldgs	0.32 MSF, 32 Bldgs	0.98 MSF, 53 Bldgs	0.25 MSF, 22 Bldgs	0.93 MSF, 11 Bldgs	0.34 MSF, 14 Bldgs
Currently Under Construction	0.19 MSF, 16 Bldgs	0.58 MSF, 23 Bldgs	0.42 MSF, 28 Bldgs	0.65 MSF, 31 Bldgs	0.16 MSF, 10 Bldgs	0.65 MSF, 11 Bldgs

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

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	<i>Monthly/Quarterly Direction</i>	<i>Annual Direction</i>
↕↗ Positive Changes	9 of 18	14 of 18
Nonfarm Employment Growth	+2,700 Employment up 0.2% from Sep. to Oct. ↑	+40,800 YTD employment up 2.8% through Oct. ↑
% Companies Hiring (Denver Area)	21% ↓ Companies expecting to add workers decreased from 3Q 2014 to 4Q 2014	21% ↔ YTD average unchanged compared with 2013
Unemployment Rate	3.6% ↓ Unemployment decreased 0.3 percentage points Sep. to Oct.	5.2% ↓ Down from 2013 YTD average of 6.6%
Initial Unemployment Insurance Claims	11.2% ↑ Claims increased from Sep. to Oct.	-14.3% ↓ YTD average claims decreased through Oct. 2014
Total Retail Sales	6.2% ↑ Metro sales increased from Apr. to May	3.4% ↑ YTD sales up through May 2014
Mountain Region Consumer Confidence Index	102.8 ↑ Index up 38.7% from Oct. to Nov.	88.4 ↑ YTD average up 20% through Nov. 2014
Hotel Occupancy	81.7% ↓ Decreased 0.4 percentage points from Sep. to Oct.	78.6% ↑ YTD occupancy up 5.4 percentage points from last year
DIA Passengers	-9.0% ↓ Passengers decreased from Aug. to Sep.	2.3% ↑ YTD passengers increased through Sep. 2014
Bloomberg Colorado Index	604.9 ↓ Index down 0.6% from Oct. to Nov.	-0.9% ↓ YTD return through Nov. 2014
Dow Jones Industrial Average	17,828.2 ↑ Index increased 2.5% from Oct. to Nov.	7.6% ↑ YTD return through Nov. 2014
Home Sales (closed)	4,348 ↓ Sales down 11.4% from Sep. to Oct.	45,519 ↓ YTD sales down 1.5% through Oct. 2014
Median Home Price (Denver-Aurora MSA)	\$315,500 ↓ Down 0.3% from 2Q 2014 to 3Q 2014	\$306,700 ↑ YTD price 10.3% higher through 3Q 2014
Foreclosures	432 ↑ Up 26.3% from Sep. to Oct.	4,545 ↓ Down 32.1% YTD through Oct. 2014
Residential Building Permits (Total)	2,005 ↑ Permits increased 30.3% from Sep. to Oct.	14,749 ↑ YTD permits up 10.6% through Oct. 2014
Apartment Vacancy Rate	3.9% ↓ Vacancy decreased 0.8 percentage points from 2Q 2014 to 3Q 2014	4.6% ↑ YTD average up 0.2 percentage points through 3Q 2014
Office Vacancy Rate (with Sublet)	11.0% ↓ Vacancy rate down 0.3 percentage points from 2Q 2014 to 3Q 2014	-0.8 percentage points ↓ 3Q 2014 vacancy rate down from 11.8% one year ago
Industrial Vacancy Rate (with Sublet)	3.9% ↑ Vacancy rate up 0.1 percentage points from 2Q 2014 to 3Q 2014	-0.8 percentage points ↓ 3Q 2014 vacancy rate down from 4.7% one year ago
Retail Space Vacancy Rate (with Sublet)	5.8% ↓ Vacancy rate down 0.1 percentage point from 2Q 2014 to 3Q 2014	-0.6 percentage points ↓ 3Q 2014 vacancy rate down from 6.4% one year ago



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