



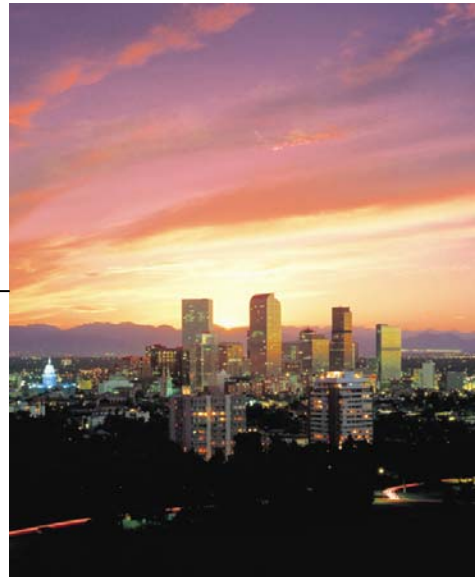
Metro Denver
Economic Development Corporation

Monthly Economic Summary

A Monthly Summary of Economic Conditions in Metro Denver

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

Released November 3, 2009



**Development
Research Partners**

10184 West Belleview Avenue
Suite 100
Littleton, Colorado 80127
www.DevelopmentResearch.net
303.991.0070

MONTHLY ECONOMIC SUMMARY

The Monthly Economic Summary is a comprehensive analysis of economic conditions in the seven-county Metro Denver area, or the region comprised of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson Counties. There are two metropolitan statistical areas (MSAs) located within the Metro Denver region: the Boulder-Longmont MSA (Boulder County) and the Denver-Aurora-Broomfield MSA (Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park Counties). This report presents recent data and long-term trends for the seven-county region, MSAs, or counties, depending on availability. The analysis includes four sections: labor force and employment, the consumer sector, residential real estate, and commercial real estate.

Notable Rankings

- ◆ A 2009 poll by Harris Interactive shows Denver is the nation's second-favorite place to live. Denver tied with San Francisco for second place in the poll, which asked respondents to identify where they would live if they had to relocate. The 2009 ranking was the first in the survey's 13-year history in which Denver placed higher than fourth among favorite U.S. cities. Colorado ranked as the nation's fifth favorite place to live in an accompanying state-level survey.
- ◆ Metro Denver earned several top honors in *Travel + Leisure* magazine's 2009 "America's Favorite Cities" rankings. The rankings classify 30 of the most-visited U.S. cities in 56 categories ranging from airports, dining, and hotels to the character of the local population. Metro Denver ranked first as an adventure vacation destination and also earned first-place rankings for its airport and its active population. The region earned lower rankings for ethnic food and cultural offerings, prevalence of boutique shopping, and the stylishness of residents.
- ◆ Denver International Airport (DIA) offers commercial flights to the nation's third-highest number of destinations, according to a report by the Brookings Institution. The report places DIA behind airports in Atlanta and Chicago and ahead of airports in Dallas-Fort Worth and Minneapolis. The report also recognizes the 100 most-traveled routes between metropolitan areas, and the corridor between Denver and Los Angeles ranked 17th busiest.
- ◆ Denver ranks 18th on a *Sporting News* list of "America's Best Sports Cities." The list ranks 399 U.S. cities on criteria including number of sports teams and win-loss ratios, fan following, and bowl and championship appearances.
- ◆ Metro Denver is the nation's 16th-best area for a recession-proof retirement, according to a recent *Forbes* ranking. The ranking of the nation's 40-largest metropolitan areas reflects each area's home prices, average income for senior citizens, number of sunny days, and other criteria.
- ◆ Metro Denver ranks 37th among the nation's 100 largest metro areas in a measure of labor market strength released by Portfolio.com. The analysis considers each region's job growth over two periods – 2004 to 2009 and 2008 to 2009. Austin, Texas ranks first and Detroit, Michigan ranks last.
- ◆ The University of Colorado at Boulder (CU-Boulder) was one of 26 schools nationwide to receive the highest possible grade on the "College Sustainability Report Card 2010." The report card – produced by the Sustainable Endowments Institute – used surveys to evaluate energy use, recycling and green building standards, and other sustainability practices at several hundred North American colleges and universities. Thanks to its high marks, CU-Boulder was named an "Overall College Sustainability Leader."
- ◆ The executive MBA program at the University of Denver (DU) Daniels College of Business ranks among the top 100 in the world, according to the *Financial Times*. The ranking evaluates factors including program faculty and diversity and post-program outcomes for students. The DU program ranked 85th overall.

MONTHLY ECONOMIC SUMMARY

- ◆ The Aspen Institute's *Beyond Grey Pinstripes* report identifies MBA programs that best prepare students for the ethical and social nuances of business, and three Colorado programs rank among the world's top 100. The University of Denver Daniels College of Business ranks 20th, the University of Colorado at Boulder Leeds School of Business ranks 37th, and the University of Colorado Denver Business School ranks 66th.
- ◆ Colorado ranked fourth in the nation for wind power capacity added in the third quarter of 2009, according to the American Wind Energy Association. Expansions at NextEra Energy Resources' Northeastern Colorado Wind Energy Center in Logan County accounted for Colorado's entire capacity gain.
- ◆ Deloitte's 2009 "Technology Fast 500" list includes 10 Colorado companies. The list – which identifies the nation's fastest-growing technology businesses – is based on each company's revenue growth between 2004 and 2008. Broomfield-based ARCA biopharma Inc. won the highest ranking (30th) among Colorado companies.
- ◆ Colorado earned mixed rankings on the Commonwealth Fund's 2009 *State Scorecard on Health System Performance*. The scorecard ranked each state using 38 indicators in five categories including healthy lifestyle, access to and equity of healthcare, quality of treatment, and avoidable hospital costs. Colorado ranked within the top fifteen states on healthy lifestyle and avoidable hospital care but ranked much lower on healthcare access and equity. Because of these mixed reviews, Colorado earned a slightly better-than-average ranking of 24th overall.

Policy Watch

- ◆ Growing U.S. deficits are worrying foreign investors and contributing to the dollar's recent slide, but some policymakers say the economic recovery is still too fragile to accommodate budget-cutting efforts. The federal budget deficit for the recently ended 2009 fiscal year reached \$1.4 trillion, or triple the previous record from 2008. The administration is expected to announce more deficit-control measures when it unveils its proposed budget in February.
- ◆ Federal officials say they will end several key facets of the Troubled Asset Relief Program (TARP) and will focus instead on increasing credit availability for small businesses and homebuyers. Several programs designed to inject capital into banks will close by the end of this year, and funds dedicated to rehabilitate bad assets will be capped. Lawmakers are also working on policies designed to replace the "too big to fail standard" for dealing with struggling financial firms.
- ◆ President Obama recently unveiled a series of initiatives designed to spur small business lending. The initiatives – which need congressional approval – would raise the limits on several types of Small Business Administration (SBA) loans. Another initiative under the Treasury Department would allow small community banks to borrow government funds at a reduced, three percent dividend rate through the capital purchase portion of TARP. Supporters of the initiatives say higher loan limits are necessary to help struggling entrepreneurs. Critics contend that limited loan approval – as opposed to limited funding – is the bigger problem currently facing small business borrowers.
- ◆ The Credit Card Accountability, Responsibility, and Disclosure Act of 2009 is having some unintended consequences. Some provisions of the act – including those that limit rate increases on existing balances – are scheduled to take effect in February 2010, but many major lenders are raising rates in the meantime. Lenders say the increases are necessary because the new rules will keep them from properly addressing each customer's risk. Others suggest the months remaining before the rules' effective date are giving lenders time to profit unfairly from wholesale rate increases. Lawmakers are currently weighing a proposal that would advance the effective date for the rules from February to December of this year.

MONTHLY ECONOMIC SUMMARY

- ◆ Colorado Governor Bill Ritter recently unveiled another round of spending cuts designed to address a \$271 million budget shortfall in the state's current fiscal year. The cuts include deep reductions for higher education, some of which lawmakers hope to offset with stimulus dollars earmarked for state budget balancing. While the funds should help, some policymakers worry that fewer support funds will be available in what will likely be an even more challenging 2010-2011 fiscal year.
- ◆ A Colorado report issued ahead of federal documentation on stimulus dollars says roughly \$1.2 billion in grant funding and direct federal spending in the state has saved nearly 5,300 full-time equivalent (FTE) positions. A majority of the positions saved are in higher education, and smaller numbers – including 500 for highway projects and roughly 800 in private businesses – were created or sustained in other sectors. Because federal standards require reporting of FTE positions in only selected sectors, however, Colorado government officials say the actual number of jobs created or saved through stimulus dollars exceeds 10,000. Critics, however, say counts of jobs saved are broadly overstated, particularly in cases where positions are part-time or temporary.

Federal documentation made available for the first Recovery Act reporting period suggests that stimulus funds have created or saved more than 640,000 U.S. jobs thus far. The data also suggest Colorado ranks in the top half of states for jobs created from federal contracts. Many of the states with the most reported job creation are also states with large economies.

General Economic Overview

The U.S. trade deficit fell 3.6 percent in August after two consecutive months of increases. Exports rose slightly in August and imports declined, even as the Cash-for-Clunkers rebate program helped imports of automobiles and parts reach the highest level reported since December 2008. Petroleum imports, however, fell to their lowest level in nearly a decade.

Other third quarter data show the U.S. economy emerging from recession. The U.S. Bureau of Economic Analysis' "advance" (first) estimate of gross domestic product (GDP) for the third quarter shows a 3.5 percent increase from the second quarter. The reading on economic growth was the strongest reported for the U.S. economy since the third quarter of 2007, or the period before the recession's official start. The largest component of GDP, household spending, rebounded solidly in the third quarter with the largest gain (3.4 percent) reported in more than two years. A particularly strong increase in household spending on durable goods partly reflected spending from the Cash-for-Clunkers program, and BEA estimates show motor vehicle output accounted for nearly half of the overall increase in third quarter GDP. Residential fixed investment – helped by the first-time homebuyers' tax credit – also made a significant contribution to third quarter GDP, as did federal government spending. Overall, the GDP estimates suggest that significant stimulus helped the U.S. economy make good progress in the third quarter, but the economy's ability to maintain its own momentum remains in question.

The role of stimulus in economic policy going forward is one of the largest questions currently confronting the Federal Reserve. Having embarked on its own massive stimulus through "balance sheet expansion" – essentially the injection of capital into markets through asset purchases – the U.S. central bank is now considering an exit strategy. The Federal Open Market Committee of the Federal Reserve voted at a late-September meeting to keep its target for the federal funds rate between 0 and 0.25 percent as the recovery remains fragile. At the same time, the committee decided to gradually slow its asset purchases and set timelines for the completion of its support programs. The Open Market Committee next convenes on November 3.

Economic Indexes

National Economy

- ◆ The Conference Board's Leading Economic Index rose for the sixth consecutive month in September. With that increase, the index's six-month growth rate reached the highest level reported since 1983.

MONTHLY ECONOMIC SUMMARY

- ◆ The Institute for Supply Management's Purchasing Managers Index remained above growth neutral for the second consecutive month in September. Though some survey respondents said business conditions are slow, others said demand is strengthening.
- ◆ The Institute for Supply Management's Index of Non-Manufacturing Business Activity rose for the second consecutive month in September. Some survey respondents expressed confidence in an economic recovery while others called positive trends inconsistent and said financing conditions were still problematic.

Local Economy

- ◆ The University of Colorado's Leeds Business Confidence Index for the fourth quarter rose to 49.7 from 47.5 in the third quarter as business owners reported a better outlook for the national economy. Respondents' expectations for profits, capital expenditures, and hiring also improved in the fourth quarter survey, although the indexes for these components remain below the growth-neutral point of 50. Generally speaking, Colorado business leaders expect better conditions in the fourth quarter but stop short of anticipating growth.
- ◆ The Vectra Bank Colorado Small Business Index fell from a revised 74.7 in August to 71 in September. Analysts say weak labor markets and their impacts on consumers outweighed low interest rates and other factors that would theoretically benefit small businesses.
- ◆ The Goss Institute's Mountain States Business Conditions Index rose above growth neutral in October. While the increase suggests Colorado, Utah, and Wyoming may be emerging from recession, analysts say difficult labor markets and poor sales trends are likely to weigh on the regional economy for some time.

Labor Force and Employment

Colorado law will force an unusual drop in the state's minimum wage next year, according to the Colorado Department of Labor and Employment. Colorado minimum wage is adjusted annually to reflect changes in the Denver-Boulder-Greeley Consumer Price Index, which declined between the first halves of 2008 and 2009. As a result, the state minimum wage will fall from \$7.28 to \$7.24 on January 1. Government officials note, however, that most employers are still legally required to pay the federal minimum wage, which is currently \$7.25. Under the new wage rate, a full-time minimum wage worker will earn roughly \$62 less per year.

Metro Denver employers cut 3,500 jobs in September, a month in which employers have typically added 3,000 or more positions. On an over-the-year basis, Metro Denver employment declined the most in September in natural resources and construction (-17.2 percent) and professional and business services (-7.2 percent). Employment data for all industries combined suggest local employers are cutting jobs at a faster pace than their counterparts nationwide. The September year-over-year decline in jobs reached 4.8 percent in Metro Denver and slightly exceeded the 4.7 percent rate of loss reported at the state level. Colorado's rate of job loss was roughly one-half of one percentage point higher than the national average (4.2 percent) in September.

While the recession has forced job cuts in manufacturing, part of the industry's hardship also reflects longer-term shifts in production practices. In one example of these shifts, Bestop – a Broomfield-based supplier of tops and accessories for sport utility vehicles – recently announced it will move its local manufacturing operations to Mexico. Spokespeople say the company's corporate office will remain in Broomfield with roughly 50 employees, but approximately 140 other workers will be laid off by April when the consolidation is complete.

As some companies consolidate and downsize, others are struggling to obtain the funding they need to launch or expand. The most recent PricewaterhouseCoopers *MoneyTree Report* shows venture capital investment in Colorado companies fell from \$214 million in the second quarter of 2009 to \$50.3 million in the third quarter. The 76 percent decline compares to a 17 percent gain in funding nationwide, although analysts note the Colorado data were skewed by a large deal for Clovis Oncology Inc. that closed in the second quarter. Colorado venture capital investments exclusive of the Clovis deal still trended down throughout 2009.

MONTHLY ECONOMIC SUMMARY

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

	Month of Sep-09 (p)	Month of Aug-09	Month of Sep-08	Year-to- Date Average 2009	Year-to- Date Average 2008	Year-to- Date Average % Change	Annual Growth Rate 2004	Annual Growth Rate 1999
Total 11-County Metro Denver*	1,359.0	1,362.5	1,427.0	1,365.9	1,421.9	-3.9%	0.8%	4.0%
Denver-Aurora MSA	1,198.9	1,205.1	1,258.1	1,203.9	1,253.4	-3.9%	0.8%	3.9%
Boulder-Longmont MSA	160.1	157.4	168.9	162.0	168.5	-3.9%	0.9%	4.4%
Natural Resources & Construction	82.5	84.8	99.6	84.8	98.7	-14.1%	-0.7%	10.4%
Manufacturing	80.8	81.0	86.7	82.4	88.1	-6.5%	-0.4%	-1.5%
Wholesale & Retail Trade	201.1	202.3	215.5	204.1	215.7	-5.4%	-0.1%	3.2%
Transp., Warehousing & Utilities	49.2	50.2	51.6	50.4	52.6	-4.2%	0.5%	6.1%
Information	53.8	54.1	57.2	54.9	57.8	-5.1%	-5.4%	11.7%
Financial Activities	100.0	101.0	104.1	100.5	105.4	-4.6%	-0.1%	3.8%
Professional & Business Services	229.9	233.0	247.7	230.3	246.2	-6.4%	3.5%	5.9%
Education & Health Services	157.6	155.8	154.0	156.8	152.1	3.1%	3.2%	1.3%
Leisure & Hospitality	144.5	149.9	149.7	143.6	148.9	-3.5%	2.6%	4.6%
Other Services	52.1	52.4	54.4	52.8	53.8	-1.9%	1.7%	1.9%
Government	207.5	198.0	206.5	205.3	202.5	1.4%	-0.2%	1.4%
Federal Gov't	30.4	30.6	30.5	30.4	30.4	0.2%	-1.6%	-1.5%
State & Local Gov't	177.1	167.4	176.0	174.9	172.2	1.6%	0.1%	2.1%
Colorado	2,249.1	2,258.1	2,361.2	2,264.0	2,352.4	-3.8%	1.2%	3.6%
United States	131,306	131,003	137,119	131,959	137,166	-3.8%	1.1%	2.4%

*Includes the Denver-Aurora-Broomfield MSA (Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park Counties) and the Boulder-Longmont MSA (Boulder County).

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

Metro Denver Industry Cluster Headlines

Aerospace: The University of Colorado at Boulder's Center for Astrophysics and Space Astronomy recently won a \$2.4 million NASA contract for the design, construction, and operation of several advanced telescopes. The four telescopes – called spectrographs – will launch in 2010 and will examine gas clouds near the sun.

Aviation: A report recently released by the U.S. Bureau of Transportation Statistics suggests employment for all U.S. passenger airlines declined over-the-year for the 14th consecutive month in August. Major Denver carrier United Airlines reported the second-largest over-the-year decline in August employment (-8.4 percent) among all network airlines. Employment for Frontier Airlines declined 5.2 percent over-the-year, and employment for Southwest Airlines fell 1.8 percent.

Looking ahead, however, employment trends for Southwest could shift. Spokespeople for the Dallas-based airline say the carrier has acquired two more gates at Denver International Airport and will expand its Denver service with six additional nonstop destinations and 13 daily flights. The airline also plans to add more workers in Denver and other key cities.

Bioscience: Canadian pharmaceutical company QLT Inc. recently sold its U.S. subsidiary – QLT USA Inc. – to Fort Collins-based Tolmar Inc. Tolmar spokespeople say the company will add roughly 20 jobs in Fort Collins to

MONTHLY ECONOMIC SUMMARY

oversee accounting, marketing, and other responsibilities associated with Eligard, a key QLT product that will be transferred as part of the company's sale.

Energy: Redevelopment activity is in full swing at the former StorageTek campus in Louisville, according to spokespeople for Houston-based ConocoPhillips. The company began demolition last November and recently completed its efforts to recycle and remove old material. Company officials will be working on a master plan for the new campus in the coming months, and they say the finished buildings could be occupied in 2013. The company's long-term employment estimates for the campus suggest it could house as many as 7,000 workers.

Development work is also underway on energy-related properties in other parts of Metro Denver. The Colorado Renewable Energy Collaboratory's Solar Technology Acceleration Center (SolarTAC) recently broke ground at the Aurora Campus for Renewable Energy. Spokespeople say the 74-acre facility for solar testing will be one of the largest of its kind nationwide.

As energy development progresses throughout Metro Denver, the region continues to attract new energy businesses. Spokespeople for San Francisco-based SunRun Inc., for example, say the company will begin operations in Colorado. SunRun – which already operates in California, Massachusetts, and Arizona – will launch a solar panel lease program that allows homeowners to purchase electricity from panels kept on their property. Customers pay a one-time, \$1,000 installation fee and subsequent monthly bills but pay no further costs for the panels themselves.

In a second new business announcement, German company SMA Solar Technology AG said it will begin U.S. operations with a new manufacturing plant in Denver. The company has a 40 percent share of the global market for solar inverters, or devices that convert energy from solar panels into the alternating electric current used in the power grid. Spokespeople for the company say a new location in Stapleton will house roughly 300 workers, and the company could temporarily employ another 400 to handle busy periods. SMA is receiving incentives from the state and the City of Denver, but company officials say the incentive package was smaller than some offered by representatives for 20 competing locations. Company spokespeople say Metro Denver's educated workforce, transportation infrastructure, and emphasis on renewable energy were key factors in their location decision, as was Colorado's relatively low cost of doing business.

A second German renewable energy company – SGB USA, Inc. – is also planning to launch operations in Metro Denver. The company manufactures wind turbine components for companies including Vestas Wind Systems and will locate its facilities and six employees in Wheat Ridge.

Even with significant new development and business activity, the renewable energy sector still faces strong economic headwinds. Spokespeople for Vestas Wind Systems say three new manufacturing plants in Colorado – one recently completed in Pueblo and two in Brighton scheduled to open next year – will create roughly 2,500 jobs, but the pace of job growth could be slower than officials originally anticipated. The company is moderating its hiring strategy to cope with still-limited credit availability, weak demand, and competition from other turbine manufacturers.

Energy research efforts are also continuing. A joint research effort between Siemens Energy and the National Renewable Energy Laboratory (NREL), for example, is moving forward. Officials recently turned on a large, 2.3-megawatt wind turbine at NREL's National Wind Technology Center and will be testing the device over the next several years. Spokespeople for NREL say the project will help researchers learn more about a new variety of large, land-based wind turbines.

New government funding will help utilities and their customers learn to maximize the efficiency of the power grid. Utilities in Fort Collins and Pueblo recently won a combined \$24.2 million in grant funding that will be used to purchase residential "smart meters," or devices that allow homeowners to receive real-time information on power usage. The utilities will also upgrade their software and infrastructure to accommodate the new smart-grid technology. The Department of Energy will distribute a total of \$3.4 billion in smart grid grants to utilities

MONTHLY ECONOMIC SUMMARY

nationwide, but Xcel Energy – developer of the heralded SmartGridCity project in Boulder – is not among them. Xcel spokespeople say the project’s grant application was submitted for a second round of funding that was recently cancelled.

IT/Hardware: California-based Sun Microsystems recently announced layoffs that spokespeople say are necessary as the company awaits approval for its merger with Oracle. European regulators are concerned that Oracle’s acquisition of Sun could have anti-competitive effects on the market, and they have delayed a final decision on the sale until mid-January. Spokespeople for Sun say 3,000 layoffs – which amount to slightly less than 10 percent of the company’s global workforce – will take effect over the next year. Company representatives had no information about how the layoffs might affect Sun operations in the Broomfield area.

Employment Outlook

The most recent *Manpower Employment Outlook Survey* suggests that U.S. businesses have generally weak hiring expectations. At the national level, 12 percent of respondents plan to add jobs in the fourth quarter, compared to 15 percent in the third quarter and 22 percent in the fourth quarter of 2008. The share of employers planning layoffs in the fourth quarter (14 percent) rose one percentage point from the third quarter, and slightly less than 70 percent of employers plan no staffing changes over the next three months. While the large share of employers planning no changes is generally a positive sign given recent labor market turbulence, the survey results nonetheless suggest that jobseekers will struggle in the coming months.

Fourth quarter hiring expectations in Metro Denver are similarly weak. Nine percent of employers in the Denver Area plan to add jobs over the next three months, compared to 32 percent of employers one year ago. Boulder area employers are only slightly more optimistic, with 12 percent planning to add jobs in the fourth quarter. Because the vast majority of employers – 68 percent in Boulder and 77 percent in the Denver Area – plan no staffing changes for the fourth quarter, the local labor market appears slightly more stable than markets nationwide. Even so, weaker-than-average hiring expectations in the Denver Area suggest local jobseekers will have limited opportunities in the coming months.

Employment Outlook Survey

	Quarter 4 2009	Quarter 3 2009	Quarter 4 2008	YTD Avg 2009	YTD Avg 2008	Ann Avg 2004
Denver-Aurora MSA						
Percent of Companies Hiring	9%	9%	32%	11%	28%	24%
Percent of Companies Laying Off	11%	11%	14%	12%	11%	7%
Percent of Companies No Change	77%	77%	54%	74%	50%	62%
Percent of Companies Unsure	3%	3%	0%	3%	11%	8%
Boulder MSA						
Percent of Companies Hiring	12%	18%	33%	16%	22%	N/A
Percent of Companies Laying Off	17%	14%	13%	15%	11%	N/A
Percent of Companies No Change	68%	64%	51%	66%	64%	N/A
Percent of Companies Unsure	3%	4%	3%	4%	4%	N/A

Note: 2009 results are for the Denver-Aurora-Broomfield and Boulder MSAs. Prior years’ data are for slightly different geographies but are roughly comparable to 2009 figures.

Source: Manpower Inc.

Metro Denver’s unemployment rate fell from 7.3 percent in August to 6.9 percent in September, and the statewide rate fell from 7.1 percent to 6.7 percent. While the declines would seem to suggest that local labor markets are stabilizing, government economists say the drop in rates reflects a different, less-positive phenomenon. In both Metro Denver and Colorado, the number of people considered unemployed declined between August and September. A simultaneous decline in both areas’ counts of employed persons, however, suggests that the ranks

MONTHLY ECONOMIC SUMMARY

of the unemployed did not shrink because more people found work. Rather, more jobseekers may be suspending their searches until employment prospects improve. These “discouraged” workers are not considered unemployed by statistical standards, so unemployment tends to fall as their numbers grow. The nationwide unemployment rate was 9.5 percent in September and was essentially unchanged from August.

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

	Sep 2009 (p)		2009 YTD Avg		2008 YTD Avg		2004	1999
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Ann Avg Unemployment Rate	Ann Avg Unemployment Rate
Metro Denver	1,503.9	6.9%	1,530.5	7.5%	1,545.3	4.7%	5.8%	2.4%
Adams County	221.6	8.1%	225.7	8.7%	226.1	5.2%	6.5%	2.7%
Arapahoe County	305.3	6.9%	310.5	7.4%	313.9	4.7%	5.7%	2.1%
Boulder County	172.3	5.5%	176.0	6.1%	178.8	4.1%	4.9%	2.6%
Broomfield County*	30.0	6.6%	30.5	7.0%	30.8	4.4%	5.8%	
Denver County	316.7	7.7%	322.4	8.3%	324.3	5.2%	6.6%	3.1%
Douglas County	154.5	5.9%	157.0	6.3%	159.5	4.1%	4.7%	1.4%
Jefferson County	303.5	6.7%	308.5	7.2%	311.9	4.5%	5.4%	2.2%
Colorado	2,683.4	6.7%	2,709.6	7.4%	2,727.3	4.7%	5.6%	2.9%
United States	153,617	9.5%	154,426	9.2%	154,162	5.5%	5.5%	4.2%

*Broomfield County was formed in November 2001 from parts of Adams, Boulder, Jefferson, and Weld Counties.

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

An average of 2,400 claimants filed for unemployment insurance in Metro Denver during each week in September. The September weekly average was nearly 64 percent higher than the average from September 2008, and the average weekly claims count for the first nine months of 2009 was almost 83 percent higher than the average for the same months last year. Statewide, the average weekly number of claims filed through September was 90 percent higher than the average in the first nine months of 2008.

Weekly First-Time Unemployment Insurance Claims

	Month of Sep-09	Month of Aug-09	Month of Sep-08	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change
Metro Denver	2,401	2,283	1,466	2,532	1,384	82.9%
Colorado	4,365	4,025	2,606	4,650	2,447	90.0%

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

Colorado personal income bucked the national trend and declined between the first and second quarters of 2009, according to data recently released by the U.S. Bureau of Economic Analysis. The data show Colorado income fell 0.3 percent in the second quarter, while the nationwide measure of personal income rose 0.2 percent. The loss in Colorado income – which some analysts say partly reflects declining oil and gas activity – ranked fifth largest behind losses in Wyoming, Nevada, Arkansas, and California.

Weak readings on income do not bode well for the approaching holiday sales season. A forecast by the National Retail Federation suggests holiday sales in 2009 could fall one percent from 2008, which was the worst year for holiday sales in decades. Sales from 2008 and the 2009 sales projection are both considerably below the historical

MONTHLY ECONOMIC SUMMARY

trend, which shows holiday sales tend to increase an average of 3.4 percent each year. A spokesperson for the Federation said frugal shoppers will focus on discounts and practical gifts this year, and the average spent per shopper will fall 3.2 percent from the 2008 average.

Weak holiday sales forecasts largely agree with current data on retail sales, which show consumers still hesitant to spend. According to the U.S. Department of Commerce, nationwide retail sales fell 1.5 percent between August and September. Net of automobile and car parts sales – which were skewed by the Cash-for-Clunkers rebate program – retail sales actually increased a slight 0.5 percent over-the-month. Even so, U.S. retail sales in September were still between five and six percent below last year's levels, and sales through the first nine months of the year were more than eight percent below sales from the same months in 2008.

Continued declines in U.S. consumer confidence suggest weak retail sales could persist over the next several months. *The Conference Board's U.S. Consumer Confidence Index declined for the second consecutive month in October as a difficult labor market darkened consumers' assessment of business conditions and their income potential in the coming months. While most consumers grew increasingly pessimistic in October, consumer outlooks in two U.S. regions – one of which was the Mountain Region – actually improved over-the-month.*

Consumer Confidence Index

	Month of Oct-09 (p)	Month of Sep-09	Month of Oct-08	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change	Ann Avg 2004
Mountain	59.4	48.3	56.2	50.0	81.7	-38.8%	108.8
United States	47.7	53.4	38.8	43.8	61.2	-28.5%	96.1

Source: The Conference Board. (p) =preliminary

A 9.2 percent drop in Metro Denver retail sales between June and July was essentially consistent with seasonal norms, although July sales in each of the region's seven counties remained substantially below levels from prior years. Metro Denver retail sales declined 14.1 percent on a year-to-date basis in July, with the sharpest declines in Adams County and the City and County of Denver. Statewide retail sales through the first seven months of the year fell 13.9 percent from sales in the same months of 2008.

Total Retail Sales (\$000s)

	Month of Jul-09	Month of Jun-09	Month of Jul-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual Growth 2004	Annual Growth 1999
Total Metro Denver	6,317,380	6,955,455	7,641,639	43,568,120	50,713,712	-14.1%	7.4%	7.0%
Adams County	1,118,463	1,073,454	1,567,570	7,298,443	9,150,587	-20.2%	11.7%	10.5%
Arapahoe County	1,267,111	1,393,750	1,392,742	8,759,985	9,883,883	-11.4%	2.6%	10.2%
Boulder County	581,859	698,946	645,254	4,218,007	4,713,144	-10.5%	2.1%	4.1%
Broomfield County	108,684	161,460	134,563	827,195	902,570	-8.4%	49.4%	
Denver County	1,831,186	2,007,777	2,265,657	12,614,944	14,837,600	-15.0%	8.1%	2.2%
Douglas County	484,533	569,845	523,039	3,313,851	3,633,449	-8.8%	16.9%	18.3%
Jefferson County	925,544	1,050,223	1,112,814	6,535,695	7,592,479	-13.9%	3.8%	7.3%
Colorado	10,735,296	11,976,253	12,950,831	73,625,110	85,560,664	-13.9%	7.8%	7.4%

Source: Colorado Department of Revenue.

The U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) rose a slight 0.2 percent between August and September as prices for two of the more volatile index components – food and energy – moved in different directions. Favorable weather conditions have helped ease prices for many food products, and the food price component of CPI has recently posted some of the longest-sustained declines seen in decades. By contrast, a

MONTHLY ECONOMIC SUMMARY

weaker U.S. dollar is pushing energy costs higher, and those costs are keeping slight upward pressure on prices for other items.

Higher energy costs are also keeping upward pressure on gasoline prices. According to the AAA *Daily Fuel Gauge Report*, the average price per gallon of regular gasoline in Metro Denver rose roughly 20 cents over-the-month to end October at \$2.54. The national average price followed a similar path and rose from \$2.48 per gallon in September to \$2.70 in October. Some analysts say the recent increase in oil prices should stall soon given that many crude storage facilities are at-capacity. In the meantime, though, rising gas prices could add further pressure to what already appears will be a weak holiday shopping season.

Metro Denver hotels continue to report weaker-than-average travel trends. September's occupancy rate of 66.1 percent was seven percentage points below the occupancy level reported in September 2008. The September 2009 average room rate fell 14 percent below the year-ago average.

Even with weaker-than-average conditions in the hospitality sector, some hotel owners are still moving ahead with new developments. Starwood Hotels and Resorts Worldwide, Inc. recently opened Colorado's first Element Hotel, a so-called "eco-chic" destination that offers high-efficiency appliances and fixtures, healthy dining options, and a saline-treated – not chlorinated – pool. The hotel opened near Park Meadows Mall in late October.

Metro Denver Hotel Statistics

	Month of Sep-09	Month of Aug-09	Month of Sep-08	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change	Annual 2004	Annual 1999
Percent of Hotel Rooms Occupied	66.1%	68.8%	73.1%	60.9%	69.0%	-11.7%	61.9%	67.2%
Average Hotel Room Rate	\$108.74	\$104.68	\$125.93	\$106.50	\$119.99	-11.2%	\$84.42	\$87.36

Source: Rocky Mountain Lodging Report.

August was the second consecutive month of over-the-year growth in passenger traffic at Denver International Airport. The August 2009 passenger count of nearly 4.9 million exceeded August 2008 traffic by more than 100,000 passengers. Because traffic declined over-the-year in six of the first eight months of 2009, though, the year-to-date change in passenger traffic through August remained negative.

Denver International Airport Passengers

	Month of Aug-09	Month of Jul-09	Month of Aug-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual 2004	Annual 1999
Number of Airline Passengers	4,877,212	5,109,342	4,768,799	34,324,108	35,320,524	-2.8%	42,275,913	38,034,017

Source: Denver International Airport, Traffic Statistics.

Stock markets weakened as October ended despite healthy gains earlier in the month. Some analysts suggest the market's recently rally is proving to be unsustainable, while others say the late-month weakness is more a reflection of concerns over recent readings on GDP. While early GDP estimates suggest the nation's economy exited recession and grew in the third quarter, the heavy influence of government spending on the readings has some investors worried about the economy's ability to support itself. The NASDAQ posted the highest year-to-date return (+29.7 percent) among the national indexes at the end of October, and the Bloomberg Colorado Index posted an even higher 31.8 percent return.

MONTHLY ECONOMIC SUMMARY

Stock Market Indexes

	Month of Oct-09	Month of Sep-09	Month of Oct-08	YTD Return 2009	YTD Return 2008	Ann Avg Return 2004
Bloomberg Colorado	290.7	305.2	241.9	31.8%	-46.3%	17.7%
S&P 500	1,036.2	1,057.1	968.8	14.7%	-34.0%	9.0%
NASDAQ	2,045.1	2,122.4	1,721.0	29.7%	-35.1%	8.6%
DJIA (Dow Jones)	9,712.7	9,712.0	9,325.0	10.7%	-29.7%	3.1%

Sources: Bloomberg.com, Yahoo! Finance.

Residential Real Estate

As October ended, lawmakers were still discussing a possible extension or expansion of the popular first-time homebuyer's tax credit. One proposal extends the \$8,000 credit – which is scheduled to expire November 30 – through next spring and requires new buyers to be under contract by April 30. The proposal also includes a smaller, \$6,500 credit for homeowners-turned-buyers who have owned their current homes for five of the past eight years. The proposal will be attached to other legislation due for congressional approval and could be finalized in early November.

Home Resales

The first-time homebuyers' tax credit helped drive a September spike in U.S. existing home sales. According to the National Association of Realtors (NAR), September sales rose 9.4 percent from August and were 9.2 percent higher than sales from September 2008. September sales activity was the strongest reported since July 2007, and the nation's unsold inventory has fallen to its lowest level in more than two years. Home sales increased the most between August and September in the West (+13 percent), while the Northeast reported the greatest improvement in September sales on an over-the-year basis (+11.8 percent).

Existing home sales in Metro Denver declined slightly (-1.5 percent) between August and September, but the market nonetheless showed other signs of improvement. September, for example, was the first month in nearly two years in which average sales prices for single-family homes and condominiums both increased on an over-the-year basis. Median home prices have also strengthened, although the first-time homebuyers' tax credit and an accompanying influx of sales in lower price ranges has pushed the Metro Denver median price for single-family homes down slightly over the past several months.

Previously-Owned Home Sales Activity

	Month of Sep-09	Month of Aug-09	Month of Sep-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Ann Avg 2004	Ann Avg 1999
Home Sales (Under Contract)	5,228	5,248	5,269	44,792	51,220	-12.5%	66,196	38,248
Home Sales (Closed)	3,846	3,905	4,265	31,554	37,401	-15.6%	54,012	46,742
Unsold Homes on Market	19,834	20,225	23,923	19,834	23,923	-17.1%	23,267	9,350
Average Sales Price-Single Family	\$274,433	\$273,972	\$260,118	\$263,518	\$277,308	-5.0%	\$289,803	\$208,274
Average Sales Price-Condo	\$168,288	\$167,090	\$161,960	\$160,235	\$173,552	-7.7%	\$180,986	\$122,562
Median Sales Price-Single Family	\$225,000	\$227,000	\$216,150	\$218,500	\$224,900	-2.8%	\$236,240	
Median Sales Price-Condo	\$145,000	\$144,500	\$139,900	\$136,000	\$140,000	-2.9%	\$157,000	

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

MONTHLY ECONOMIC SUMMARY

Home Prices

Economists with the NAR say the recently strong pace of existing home sales will need to continue for several more months before home prices can truly stabilize. The national median home price in September (\$174,900) was roughly nine percent lower than the median from September 2008. Median prices were also down in the West (-15 percent), the South (-7.6 percent), and the Northeast (-7 percent). The September median home price also declined over the year in the Midwest, but the region's median fell short by a much smaller margin (-1 percent).

A second NAR dataset shows the nationwide median home price was \$174,100 in the second quarter of 2009 and was down 15.6 percent from the median in the second quarter of 2008. Of the 155 MSAs that reported prices for the second quarter, 129 reported an over-the-year decline in the median and 26 reported an increase. The second quarter median home price in the Denver-Aurora-Broomfield MSA (\$223,700) was down just 0.7 percent from the prior year, and the decline was the ninth smallest of those reported in the 129 MSAs where prices fell. The second quarter median in Boulder (\$373,300) also fell 0.7 percent over-the-year in a drop that ranked with the Denver decline as ninth smallest. The NAR is scheduled to release metro area median home prices for the third quarter of 2009 on November 10.

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

	Quarter 2 2009 (p)	Quarter 1 2009 (r)	Quarter 2 2008	YTD Avg 2009	YTD Avg 2008	YTD Avg % Change	Median 2004	Median 1999
Boulder-Longmont MSA	\$373.3	\$328.4	\$375.8	\$350.9	\$365.8	-4.1%	\$325.3	n/a
Denver-Aurora-Broomfield MSA	\$223.7	\$192.9	\$225.2	\$208.3	\$224.4	-7.2%	\$239.1	\$171.3
United States	\$174.1	\$167.3	\$206.4	\$170.7	\$201.3	-15.2%	\$195.2	\$141.2

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

The annual rate of decline in 19 of the 20 S&P/Case-Shiller metro area home price indices slowed between July and August, as did the rates of decline for both the 10-City and 20-City Composite Home Price Indices. Notably, the metro area indices for Denver and Dallas were the two closest to a positive annual return in August. Analysts called the results a solid sign of improvement in U.S. housing markets but noted that high unemployment and the potential expiration of the first-time homebuyers' tax credit could slow some of the markets' momentum through the end of the year.

Foreclosures

Data from RealtyTrac shows the number of foreclosure filings made on U.S. homes increased 30 percent between September 2008 and September 2009. RealtyTrac estimates also suggest that one in 136 U.S. households received some sort of foreclosure filing in the third quarter. So-called "REO filings" – or those that complete the foreclosure process and return a property to the lender – have increased recently, and RealtyTrac analysts say the trend shows banks and lenders beginning to catch up with a backlog of foreclosure actions.

Consistent with the RealtyTrac data, data from the Colorado Division of Housing show foreclosure sales – the final stage of the foreclosure process – increased in Metro Denver between August and September. *The region's new foreclosure filings, however, declined over-the-month. The drop primarily reflected slower foreclosure activity in Adams County and the City and County of Denver, and filings also declined over-the-month in Douglas County and the City and County of Broomfield.*

MONTHLY ECONOMIC SUMMARY

Real Estate Foreclosures

	Month of Sep-09	Month of Aug-09	Month of Sep-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Annual Total 2004
Total Metro Denver*	2,218	2,385	1,365	20,285	19,026	6.6%	12,252
Adams County	429	537	328	4,419	4,458	-0.9%	2,498
Arapahoe County	555	554	342	4,663	4,476	4.2%	3,125
Boulder County	170	132	47	1,090	780	39.7%	524
Broomfield County	19	27	24	258	210	22.9%	134
Denver County	453	550	361	4,790	4,759	0.7%	3,345
Douglas County	233	284	53	2,026	1,575	28.6%	800
Jefferson County	359	301	210	3,039	2,768	9.8%	1,826

*Figures represent the total number of election and demand setups received by county public trustees in the given period. Some foreclosures may be subsequently cured or withdrawn.

Sources: Colorado Division of Housing.

New Homes

Nationwide new home sales fell between August and September after five consecutive months of gains. According to the U.S. Department of Commerce, sales of new homes registered a surprise, 3.6 percent drop when sales declined over-the-month in the West (-10.6 percent) and the South (-10 percent). Some analysts say the drop reflects uncertainty surrounding the first-time homebuyers' tax credit, while others note the new homes series is frequently revised and prone to swings. Either way, U.S. new home sales in September were 7.8 percent below sales from September 2008.

A second data series from the Department of Commerce shows new home construction – as measured by housing starts – rose a slight 0.5 percent between August and September. The gain was entirely due to an increase in single-family home construction, as construction activity for multi-family structures remains significantly below last year's levels. Total U.S. housing starts in September were 28.2 percent below housing starts one year ago, and housing starts across the nation were down over-the-year by anywhere from 22.5 percent in the Midwest to 38.4 percent in the Northeast.

As data on new homes remains somewhat mixed, builder sentiment is also fluctuating. The National Association of Homebuilders/Wells Fargo Housing Market Index ended a three-month string of increases and declined in October as each of the index's three components – current sales, buyer traffic, and six-month sales expectations – weakened. National Association of Homebuilders spokespeople say the October weakness reflected uncertainty over the homebuyers' tax credit and builders' ongoing frustration with difficult financing conditions.

A spike in Metro Denver building permit activity in September largely reflected an apartment project in Lafayette and condominium projects permitted in Arapahoe County and the City and County of Denver. *Builders pulled a total of 417 permits throughout September in a 48 percent increase from the prior month. Even with the increased activity, total Metro Denver permits pulled through the first nine months of the year fell almost 63 percent below permits pulled in the same months of 2008.*

MONTHLY ECONOMIC SUMMARY

Residential Building Permits

	Month of Sep-09	Month of Aug-09	Month of Sep-08	YTD Total 2009	YTD Total 2008	YTD Total % Change	Total 2004	Total 1999
Single-Family Detached Units	234	252	257	1,765	3,138	-43.8%	14,260	17,523
Single-Family Attached Units	87	30	59	480	1,171	-59.0%	4,843	2,883
Multi-Family Units	96	0	7	438	2,885	-84.8%	2,681	4,784
Total Units	417	282	323	2,683	7,194	-62.7%	21,784	25,190

Source: Home Builders Association of Metro Denver.

Apartment Rental Market

Metro Denver's average apartment vacancy rate rose in the second quarter of 2009 to the highest level reported since the first quarter of 2005. The second quarter rate (nine percent) was nearly three percentage points higher than the vacancy rate reported at the same time last year, and housing officials say the increase reflects heavy job losses. The region's second quarter average rental rate fell to \$870 from \$882 in the first quarter and was more than \$16 below the average from the second quarter of 2008.

Apartment Statistics

	Quarter 2 2009	Quarter 1 2009	Quarter 2 2008	YTD Average 2009	YTD Average 2008	YTD Average % Change	Annual Average 2004	Annual Average 1999
Apartment Vacancy Rate	9.0%	8.4%	6.2%	8.7%	6.1%		9.7%	4.5%
Average Monthly Rental Rate (all units)	\$870	\$882	\$886	\$876	\$874	0.2%	\$817	\$717

Source: Denver Metro Apartment Vacancy and Rent Survey.

Commercial Real Estate

CB Richard Ellis' third quarter MarketView report for Metro Denver reminds readers that cycles in commercial real estate tend to lag cycles in the broader economy. Given this relationship in trends, forecasters expect Metro Denver's office market to deteriorate for several more quarters until demand for and supply of space come into better balance. The report notes that some tenants are still downsizing and many are modifying their real estate strategies to help control costs. In this tenants' market, lease rates are falling and more space is sitting vacant. Despite these weak trends, the report suggests restrained development in recent years and a diversified industry base will help Metro Denver's office market recover more quickly than other markets once the economy recovers.

Grubb & Ellis' third quarter 2009 Office Trends Report notes a few positive developments in Metro Denver's office market but suggests that improvements in vacancy and rent could be at least a year away. The report describes a recent decline in sublease space as a positive sign that many property owners have finished cost-cutting measures. Still, a weak outlook for labor markets will limit organic growth in the office market through next year, and some forecasts suggest lease rates could need as many as three years to regain pre-recession levels. Many of the recent transactions in Metro Denver's office market have been lease renewals, but the report notes that favorable terms could tempt some tenants to relocate in the coming months.

In a slightly different look at Metro Denver's office market, data from CoStar Realty Information, Inc., show the amount of Metro Denver office market property under construction continued to decline between the second and third quarters of 2009. Because building activity was relatively restrained over the past several years, however, the total amount of office property completed to date – just less than one million square feet – is roughly in-line with the amount of property completed at the same time in 2008 and in 2007. Major projects in progress during

MONTHLY ECONOMIC SUMMARY

the third quarter included the FBI headquarters in Stapleton and the University Physicians headquarters at Fitzsimons in Aurora.

Other office market fundamentals are still weakening. The direct office market vacancy rate rose four-tenths of one percentage point to 13.9 percent in the third quarter, and direct average lease rates fell by roughly \$0.40 per square foot to end the quarter at \$20.60.

Office Market Statistics

	Quarter 3 2009	Quarter 2 2009	Quarter 3 2008	Quarter 3 2007	Quarter 3 2006	Quarter 3 2005
Number of Buildings	5,274	5,270	5,243	5,169	5,113	5,053
Existing Square Feet (millions)	163.1	162.8	160.9	159.4	157.7	156.1
Vacant Square Feet (direct, millions)	22.6	22.0	19.9	18.9	19.5	21.7
Vacancy Rate (direct)	13.9%	13.5%	12.4%	11.9%	12.3%	13.9%
Vacancy Rate (with sublet)	15.0%	14.7%	13.2%	12.5%	13.2%	15.2%
Avg. Lease Rate (direct, per sq. ft, full service)	\$20.60	\$21.03	\$21.61	\$20.48	\$18.30	\$17.24
New Construction Completed (year-to-date)	0.93 MSF, 19 Bldgs	0.69 MSF, 15 Bldgs	1.05 MSF, 44 Bldgs	1.06 MSF, 39 Bldgs	0.96 MSF, 33 Bldgs	0.50 MSF, 31 Bldgs
Currently Under Construction	1.76 MSF, 13 Bldgs	1.93 MSF, 13 Bldgs	3.41 MSF, 54 Bldgs	2.94 MSF, 74 Bldgs	1.77 MSF, 48 Bldgs	1.21 MSF, 32 Bldgs

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

The third quarter 2009 Industrial Trends Report by Grubb & Ellis suggests Metro Denver's comparatively stable industrial market weakened in the third quarter. The active and growing renewable energy sector has helped boost industrial property activity in northern Metro Denver submarkets, but other submarkets have struggled with weak demand for incubator and flex-type space. On the positive side, the report suggests that Metro Denver's industrial market will be less prone to foreclosures than other property types in the coming months because industrial market development and investment activity has been more restrained.

CB Richard Ellis' third quarter MarketView report also predicts Metro Denver's industrial market will be less-exposed to foreclosures thanks to its comparatively smaller debt burden. Still, the industrial market faces strong headwinds. Lease rates have fallen well below the level that would promote development, so build-to-suit projects will dominate what little construction activity is expected to occur in the near future. Despite these weak fundamentals, the report notes that Metro Denver's industrial market is still outperforming other markets in the West.

Data from CoStar Realty Information, Inc. suggest that a near-standstill in Metro Denver industrial market construction is a key factor in the market's relative stability. In fact, the CoStar series shows Metro Denver's direct industrial vacancy rate actually declined to 7.1 percent in the third quarter. Average industrial market lease rates declined slightly to \$4.85 per square foot in the third quarter.

Metro Denver's flex market has suffered larger recession impacts than the region's industrial market. Data from CoStar Realty Information, Inc. show the direct flex market vacancy rate rose in the third quarter to 15 percent, or the highest rate reported for the market since 2005. Direct average lease rates fell by roughly \$0.10 per square foot to end the third quarter at \$9.43. Flex market construction activity has essentially halted.

MONTHLY ECONOMIC SUMMARY

Industrial Market Statistics

	Quarter 3 2009	Quarter 2 2009	Quarter 3 2008	Quarter 3 2007	Quarter 3 2006	Quarter 3 2005
Number of Buildings	6,635	6,633	6,621	6,575	6,519	6,465
Existing Square Feet (millions)	214.0	213.9	212.9	210.7	207.9	205.6
Vacant Square Feet (direct, millions)	15.2	15.4	13.3	12.5	14.7	15.8
Vacancy Rate (direct)	7.1%	7.2%	6.3%	6.0%	7.1%	7.7%
Vacancy Rate (with sublet)	7.3%	7.5%	6.6%	6.1%	7.4%	8.1%
Avg. Lease Rate (direct, per square foot, NNN)	\$4.85	\$4.99	\$5.16	\$5.02	\$4.93	\$4.71
New Construction Completed (year-to-date)	0.23 MSF, 6 Bldgs	0.19 MSF, 4 Bldgs	1.77 MSF, 33 Bldgs	1.34 MSF, 20 Bldgs	1.19 MSF, 20 Bldgs	0.61 MSF, 21 Bldgs
Currently Under Construction	0 MSF, 0 Bldgs	0 MSF, 0 Bldgs	0.90 MSF, 11 Bldgs	1.17 MSF, 23 Bldgs	1.53 MSF, 25 Bldgs	0.84 MSF, 21 Bldgs

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

Flex Space Statistics

	Quarter 3 2009	Quarter 2 2009	Quarter 3 2008	Quarter 3 2007	Quarter 3 2006	Quarter 3 2005
Number of Buildings	1,347	1,344	1,331	1,304	1,288	1,268
Existing Square Feet (millions)	38.2	38.1	37.5	36.7	36.4	35.9
Vacant Square Feet (direct, millions)	5.7	5.5	4.8	4.3	4.7	5.0
Vacancy Rate (direct)	15.0%	14.4%	12.7%	11.8%	13.0%	13.9%
Vacancy Rate (with sublet)	15.8%	15.1%	13.5%	12.6%	13.5%	14.8%
Avg. Lease Rate (direct, per square foot, NNN)	\$9.43	\$9.53	\$9.92	\$9.22	\$8.43	\$8.15
New Construction Completed (year-to-date)	0.27 MSF, 8 Bldgs	0.10 MSF, 5 Bldgs	0.59 MSF, 20 Bldgs	0.16 MSF, 8 Bldgs	0.39 MSF, 13 Bldgs	0.26 MSF, 16 Bldgs
Currently Under Construction	0 MSF, 0 Bldgs	0.20 MSF, 4 Bldgs	0.38 MSF, 11 Bldgs	0.38 MSF, 11 Bldgs	0.07 MSF, 2 Bldgs	0.23 MSF, 7 Bldgs

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

CB Richard Ellis' third quarter MarketView report for Metro Denver shows the region's retail market deteriorating further. Vacancy and availability rates reached record highs in the third quarter, lease rates continued to decline, and construction activity waned. Retail foreclosures are also burdening the market, although some segments – particularly those driven by grocery and discount retailers – are faring better. Because the recession was particularly hard on consumers, the report expects a recovery in retail property markets will be considerably delayed.

The most recent Retail Trends Report by Grubb & Ellis says Metro Denver retail vacancy rates rose in the third quarter to the highest level reported in more than 10 years. While grocery-anchored shopping centers have fared generally well throughout the recession, retail power centers and strip malls have suffered more. Declining vacancy rates have also kept downward pressure on lease rates, which – in some cases – have actually helped the market by attracting new tenants. In many cases, tenants have moved from flex or office properties to take advantage of better retail terms and good locations for business. Metro Denver's retail market will still struggle until consumer spending meaningfully recovers, but the lease rate reset occurring now should help support a solid rebound when conditions improve.

Like the Grubb & Ellis report, data from CoStar Realty Information, Inc. show the region's direct retail market vacancy rate rose in the third quarter to the highest level (9 percent) reported in at least a decade. The third quarter

MONTHLY ECONOMIC SUMMARY

average lease rate fell to \$16.56 per square foot in a fifth-consecutive quarterly decline. Total retail property under construction in the third quarter was less than one-fifth of the volume under construction one year ago, although several large projects – including Phase II of Lincoln Commons in Douglas County and a Super Target store in Highlands Ranch – continued under development.

Retail Market Statistics

	Quarter 3 2009	Quarter 2 2009	Quarter 3 2008	Quarter 3 2007	Quarter 3 2006	Quarter 3 2005
Number of Buildings	7,813	7,792	7,714	7,590	7,475	7,310
Existing Square Feet (millions)	149.7	149.1	147.5	143.9	140.9	136.6
Vacant Square Feet (direct, millions)	13.5	12.9	11.6	9.7	10.6	9.1
Vacancy Rate (direct)	9.0%	8.7%	7.8%	6.7%	7.6%	6.6%
Vacancy Rate (with sublet)	9.4%	9.0%	8.1%	7.0%	7.8%	6.9%
Avg. Lease Rate (direct, per square foot, NNN)	\$16.56	\$16.87	\$17.43	\$16.49	\$16.06	\$15.62
New Construction Completed (year-to-date)	1.58 MSF, 62 Bldgs	1.05 MSF, 37 Bldgs	2.55 MSF, 73 Bldgs	1.04 MSF, 26 Bldgs	3.47 MSF, 34 Bldgs	N/A
Currently Under Construction	0.55 MSF, 17 Bldgs	0.62 MSF, 24 Bldgs	2.94 MSF, 72 Bldgs	5.94 MSF, 127 Bldgs	4.23 MSF, 62 Bldgs	N/A

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

MONTHLY ECONOMIC SUMMARY

Metro Denver Indicator Summary

Indicator	Monthly/Quarterly Direction	Annual Direction	Summary of Recent Changes
Nonfarm Employment Growth	↓	↓	Employment decreased by 3,500 jobs Aug to Sep; YTD emp. down 3.9% through Sep 2009.
% Companies Hiring (Denver Area)	↔	↓	9% of companies expect to add workers in Q4 2009 and 77% expect no change.
Unemployment Rate	↓	↑	Metro rate 6.9% in Sep; YTD avg. rate of 7.5% up from 4.7% in 2008.
Initial Unemployment Insurance Claims	↑	↑	Claims increased Aug to Sep; YTD claims up 82.9% through Sep 2009.
Total Retail Sales	↓	↓	Metro retail sales decreased Jun to Jul; total sales down 14.1% YTD through Jul 2009.
Consumer Confidence Index	↑	↓	Mountain Region up to 59.4 in Oct from 48.3 in Sep; index down 38.8% YTD through Oct 2009.
Hotel Occupancy	↓	↓	Hotel occupancy decreased from 68.8% in Aug to 66.1% in Sep; occupancy down 11.7% YTD.
DIA Passengers	↓	↓	Traffic decreased Jul to Aug; traffic down 2.8% YTD through Aug 2009.
Bloomberg Colorado Index	↓	↑	Bloomberg Colorado Index down 4.8% from Sep to Oct; year-to-date return at 31.8%.
Dow Jones Industrial Average	↔	↑	DOW essentially unchanged Sep to Oct; year-to-date return at 10.7%.
Home Sales (closed)	↓	↓	Home sales decreased 1.5% Aug to Sep; YTD sales down 15.6% through Sep.
Median Home Price (Denver-Aurora MSA)	↑	↓	Median home price in Denver MSA up 16% Q1 to Q2 2009; YTD price down 7.2%
Foreclosures	↓	↑	Foreclosures decreased 7% Aug to Sep; YTD up 6.6% through Sep 2009.
Residential Building Permits (Total)	↑	↓	Total permits increased between Aug and Sep; YTD down 62.7% through Sep 2009.
Apartment Vacancy Rate	↑	↑	Vacancy rate increased from 8.4% in Q1 to 9% in Q2; avg rental rate at \$870 per month.
Office Vacancy Rate (with Sublet)	↑	↑	Vacancy up from 14.7% to 15% in Q3 2009; avg lease rate down to \$20.60/sq.ft.
Industrial Vacancy Rate (with Sublet)	↓	↑	Vacancy rate decreased from 7.5% to 7.3% in Q3 2009; avg lease rate down to \$4.85/sq. ft. (NNN)
Retail Space Vacancy Rate (with Sublet)	↑	↑	Vacancy rate up from 9% to 9.4% in Q3; avg. lease rate down to \$16.56/sq. ft. (NNN)
<i>Positive Changes</i>	6 of 18	2 of 18	



Economic and Demographic Research

Industry Studies

Fiscal and Economic Impact Analysis

Real Estate Economics

10184 West Belleview Avenue
Suite 100
Littleton, Colorado 80127
www.DevelopmentResearch.net
303.991.0070