



## Economic Summary

### Strong long-term prospects for local economy

Colorado's economy continues to weaken as the near-term outlook for global demand and business activity remains poor. Even so, strong long-term prospects for many of the state's key industries, a talented workforce, and a reputation for innovation will support a solid recovery for the regional economy, according to data compiled by the Metro Denver Economic Development Corporation (Metro Denver EDC) in its Monthly Economic Summary for January 2009.

While President-elect Obama unveiled plans for the largest infrastructure development program since the construction of the nation's interstate highways, economic stimulus strategies are also emerging in Colorado. Denver Mayor John Hickenlooper recently announced plans to advance the timeline on several voter-approved infrastructure projects. The projects would be finished over the next three to four years with an estimated economic impact of \$200 million each year. An improvement project for Boettcher Concert Hall is one of the largest currently under consideration.

Colorado Governor Bill Ritter also introduced an economic stimulus package in December. The four pieces of legislation would give payroll tax credits to companies that add at least 20 jobs and would improve loan access for expanding businesses. In addition, the legislation would increase worker training and development incentives in the renewable energy sector. Overall, the package would cost \$4.9 million, not including funds for the job creation incentive.

"With Colorado gaining even more momentum as the fifth-fastest growing state in the nation and a top region for business growth, it's essential we offer incentives and support for growth and development," stated Patty Silverstein, chief economist for the Metro Denver EDC.

The region's reputation won recent attention in a MarketWatch ranking of the best locations for businesses, placing Metro Denver third among the nation's 50 largest metro areas. Criteria for the ranking included population growth, job

growth and unemployment, and the number of companies listed among the Fortune 1000, S&P 500, and Russell 2000. Minneapolis-St. Paul and Boston claimed the first- and second-place ranks, respectively.

Colorado and Metro Denver also have other advantages in the current downturn, including a milder-than-average housing correction. The Metro Denver foreclosure indicator, for example, was one of three indicators to move positively both in monthly and annual terms in this report.

Metro Denver foreclosure filings in November fell below the count for the same month in 2007, as was the case for the prior six months. Public trustees reported 1,728 new filings in November, which left total filings through the first 11 months of 2008 down 3.4 percent from filings for the same period in 2007.

The S&P/Case-Shiller Home Price Indices show home prices falling at record annual rates in 14 of 20 U.S. metro areas. The indices show October 2008 home prices declining from the prior year by anywhere from three percent in Dallas to more than 30 percent in San Francisco, Las Vegas, and Phoenix. The Denver index fell 5.2 percent over-the-year in October and ranked third behind Dallas and Charlotte for smallest annual price decline.

Overall, five indicators moved in a positive monthly direction, compared to one indicator in the prior release. Four indicators moved in a positive annual direction both in this report and the prior two reports.

The Monthly Economic Summary provides a snapshot of metro area economic activity, as well as its relationship to national and regional economic trends. Key points from this month's report include:

### Labor and Employment

While the national employment picture has darkened considerably with year-to-date employment down by 0.1 percent, local labor markets

Corporate Office  
303-321-1880  
Fax 303-322-7603  
3033 E. First Ave.  
Suite 600  
Denver, CO 80206  
www.LTGC.com

have so far experienced a milder contraction. Metro Denver employers cut 2,200 jobs between October and November, which left the region's year-to-date job growth rate at 1.2 percent. Even with the weaker trends, though, total November job counts in Metro Denver and Colorado were slightly above last year's levels.

Metro Denver and Colorado unemployment rates increased for the third consecutive month in November. Rates among the region's seven counties ranged from 4.8 percent in Boulder County to 6.5 percent in Adams County and the City and County of Denver. Regionwide, the November unemployment rate reached 5.8 percent, which was slightly above the statewide rate but measurably below the national figure.

### Residential Real Estate

The pace of U.S. existing home sales slowed considerably between October and November, according to the National Association of Realtors (NAR). An 8.6 percent decline in November left the sales pace 10.6 percent below November 2007, and over-the-year sales declines across the U.S. ranged from a 16 percent decline in the Midwest to an 18 percent decline in the West, South, and Northeast.

Local data also shows home sales falling significantly in the late fall. The number of closed home sales in Metro Denver fell 31.8 percent between October and November, and local analysts say the November sales figure was the lowest ever reported for the month.

On a year-to-date basis, total closed home sales in Metro Denver declined 4.2 percent through the first 11 months of the year, and the average single family home price for that period declined 12.7 percent from the average for the same months in 2007. The region's unsold inventory continues to shrink, largely because weak economic conditions and competition from distressed properties is discouraging many homeowners who might otherwise choose to sell.

Residential construction activity in Metro Denver continues to reflect the weak market for new homes. Local jurisdictions issued permits for 1,281 residential units in October, the vast majority of which were units in apartment buildings. Through the first 10 months of the year, building activity slowed the most (-71.7 percent) in the attached homes category, or the group that includes condominiums and townhomes. The number of single-family detached home permits declined 48 percent through the 10 months ended in October, and total permits for all types of housing fell 34 percent.

### Commercial Real Estate

Data from CoStar Realty Information, Inc. suggest that Metro Denver's office market weakened throughout 2008. The region's direct vacancy rate increased slightly each quarter and ended the year at 12.8 percent, or one percentage point higher than the 11.8 percent rate from the fourth quarter of 2007. Slower market activity essentially reversed gains in lease rates that occurred in the second and third quarters, and average rates ended the year at \$21.15 per square foot. Despite its changing fundamentals, 2008 still proved to be a year of solid office market construction activity.

While Metro Denver's industrial market maintained momentum through much of 2008, the market finally weakened in the fourth quarter. According to CoStar, the direct vacancy rate rose to 6.9 percent from 6.5 percent in the third quarter while average lease rates remained essentially steady at \$5.13 per square foot.

Like Metro Denver's office market, the region's flex market weakened throughout 2008. According to CoStar, direct vacancy rates rose from 12.1 percent in the fourth quarter of 2007 to 12.9 percent in the fourth quarter of 2008. Despite the weaker fundamentals, lease rates remained fairly steady and averaged \$9.87 per square foot in the fourth quarter. Building activity also remained steady between the third and fourth quarters, with nearly 300,000 square feet in eight projects under construction as 2008 ended.

CoStar reports that direct vacancy rates in Metro Denver's retail market rose throughout 2008. The rate registered 8.2 percent as 2008 ended, nearly one percentage point higher than the 7.3 percent rate from the fourth quarter of 2007. Average lease rates also declined through the second half of the year, although the fourth quarter average of \$17.60 per square foot remained above the \$17.01 average from the fourth quarter of 2007.

---

This article was shortened for length and reprinted with permission of the Metro Denver Economic Development Corporation. For a full version of this report, visit the Metro Denver EDC at [www.metrodenver.org](http://www.metrodenver.org).

*Disclaimer: This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is distributed with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional service. If legal or accounting advice or other expert assistance is required, the services of a competent professional should be sought.*

© Copyright, 2009, by Land Title Guarantee Company

