
Economic activity in the Denver South¹ region continues to expand with rising employment and lower unemployment rates. Employment in the Denver South region increased 4 percent in the first quarter of 2014 compared with the prior year, representing 7,900 additional jobs. Employment in every supersector expanded, with the construction supersector reporting the largest over-the-year increase (+20 percent). Metro Denver² employment rose 3.6 percent over-the-year.

The residential real estate market reported improvements in home prices and foreclosures, but apartment vacancy rates increased. Condominium and townhome sales in the area rose 2.5 percent during the second quarter 2014 compared with the previous year, but single-family detached home sales fell 12 percent. Both markets reported increases in the average sale price of existing homes.

All four commercial real estate markets (office, industrial, flex, and retail) in the Denver South Region reported improvements in the second quarter compared with the same time in 2013. The flex market reported the largest decline in vacancy rates, falling 2.8 percentage points to 11.7 percent. The industrial market posted the largest increase in the average lease rate, with the rate rising 13.1 percent to \$8.56 per square foot NNN.

Denver South EDP Economic Headlines

Rankings

- *Forbes* released a list of the nation's best places for business, ranking Denver in fourth, Fort Collins in fifth, Greeley in 20th, and Boulder in 23rd. The report stated that Denver's diverse economy and significant outdoor recreational options attract educated, young professionals. The net migration into the Denver area was reported as among the strongest in the nation over the last five years. The cities ahead of Denver and Fort Collins in rank order were Raleigh, N.C., Des Moines, Iowa, and Provo, Utah.
- According to WalletHub, a financial insights website, Denver ranked as the fourth most recovered city from the recession. Laredo, Texas ranked first overall followed by Irving, Texas, and Fayetteville, N.C. The study considered the 150 largest cities in the nation in terms of most and least recovered based on the number of new businesses, inflow of college-educated workers, median household income, home price appreciation, decreases in the foreclosure rate, and many other indicators. Of the metrics considered in the ranking, Denver ranked first in employment and earnings opportunities.
- A NerdWallet study ranked the Denver-Aurora-Broomfield MSA as the ninth best place for science, technology, engineering, and mathematics (STEM) graduates. The study considered the income level of STEM jobs and the size of STEM industries in the 75 largest U.S. metropolitan areas. According to the company's results, Denver's annual mean wage for STEM jobs was \$84,380 and 8.2 percent of all jobs in Denver were in STEM industries. The San Jose-Sunnyvale-Santa Clara MSA in California ranked number one, followed by the Seattle-Bellevue-Everett MSA in Washington.

¹ The Denver South region consists of data reported for the following eight zip codes: 80111, 80112, 80124, 80126, 80129, 80130, 80134, and 80237.

² The Metro Denver region consists of the following seven counties: Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson Counties.

- Bizwomen, a website affiliated with the Denver Business Journal, analyzed the best U.S. cities for women in business and ranked Denver fifth in the nation. The report considered the 100 largest metropolitan areas and based the ranking on 16 factors including educational attainment, female poverty rate, percentage of women in management positions, and median annual earnings. Washington, DC was ranked the best city in the nation for businesswomen.
- The *2014 Green Building Adoption Index* rated the top 10 U.S. cities with the highest percentage of green commercial space and Denver ranked seventh. The report compiled by CBRE Group, Inc. and Maastricht University stated that 49.3 percent of commercial real estate in Denver was certified as green construction. The study reported Minneapolis as the greenest city in the nation, with 77 percent of the commercial real estate green certified, and San Francisco was ranked second with 67.2 percent.
- The National Association of Realtors released the best markets in the nation for millennial homebuyers, ranking Denver among the top 10. The report studied the top 100 metropolitan areas that have a large millennial presence, solid local job market conditions, and strong migration patterns of young adults. The research showed that 15.7 percent of Metro Denver’s population was under the age of 32 between 2010 and 2012. Company spokespersons stated that the Denver economy provides millennials with the income needed to purchase a home.

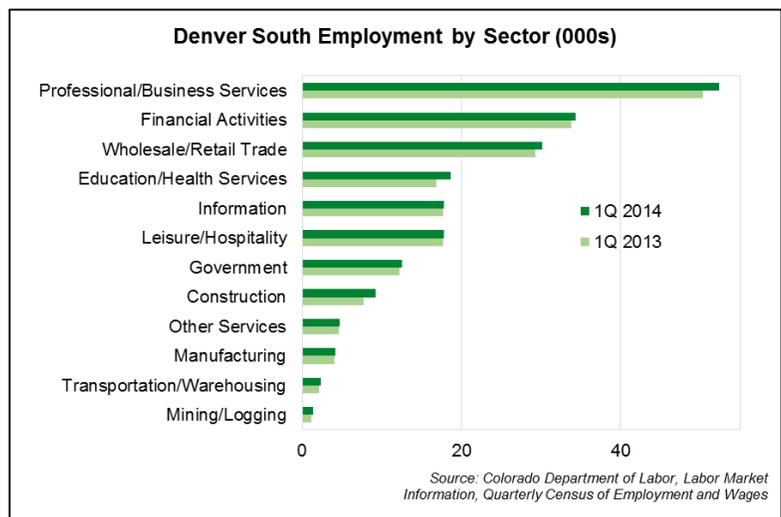
Company Announcements

- DigitalGlobe, a commercial high-resolution Earth observation and advanced geospatial solutions company, launched WorldView-3, an advanced super-spectral, high-resolution commercial satellite. The launch of WorldView-3 will extend the company’s commanding technology lead and help their customers see through smoke, look beneath the ocean’s surface, and determine the mineral and moisture content of the earth below. It will be the first satellite to provide multiple shortwave infrared bands, for imaging through haze, fog, dust, smoke, and other airborne particles. The satellite is also one of the only to have CAVIS, a cloud, aerosol, water vapor, ice, and snow atmospheric correction instrument. The satellite and CAVIS were built by Ball Aerospace, Exelis built the payload, and the United Launch Alliance Atlas V launch vehicle, provided by Lockheed Martin Commercial Launch Services, delivered the satellite to orbit.

Employment Activity

Employment in the Denver South region rose 4 percent between the first quarters of 2013 and 2014, generating an additional 7,900 jobs over-the-year. The largest supersector by total employment is professional and business services (52,400 employees), reporting a 4.1 percent increase in employment during the same period and adding 2,100 new jobs. The construction supersector reported the largest over-the-year increase, rising 20 percent to 9,200 jobs. Every supersector reported growth in employment, with the information supersector recording the smallest increase (+0.6 percent).

- Metro Denver reported a 3.6 percent increase in employment to 1.44 million workers between the first quarters of 2013 and 2014. Every supersector reported growth over-the-year. The largest increase occurred in the construction supersector (+13.2 percent) and the smallest increase occurred in the manufacturing supersector (+0.9 percent).



Manpower Employment Outlook Survey

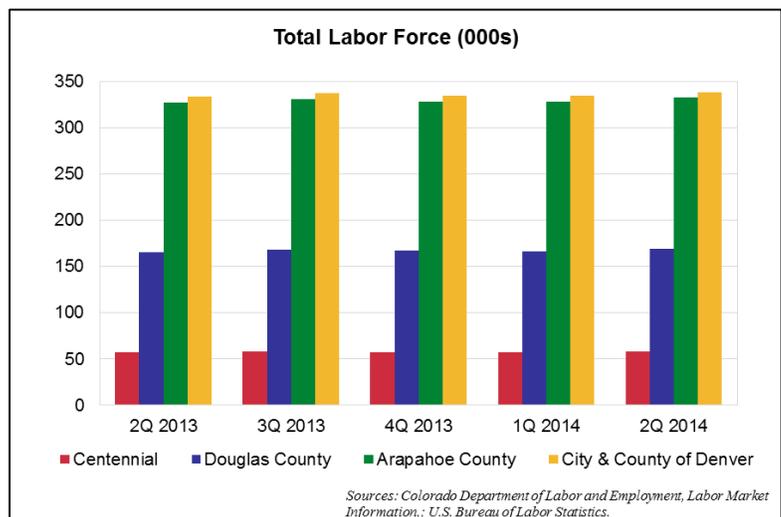
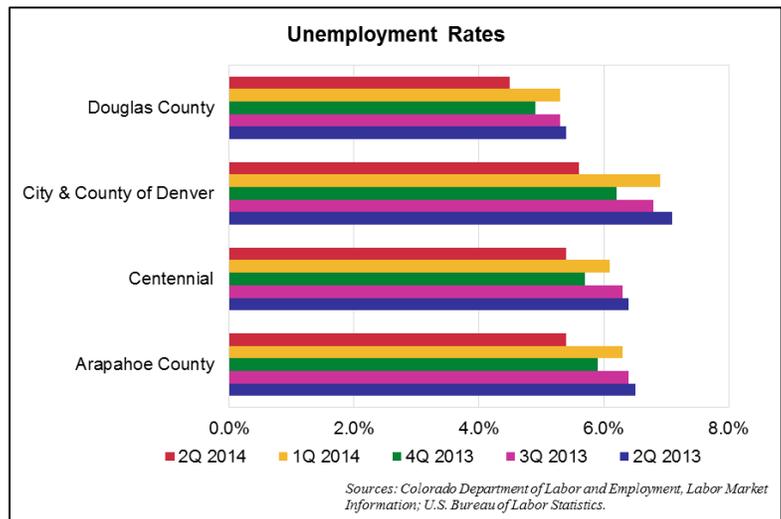
Hiring expectations in the U.S. increased slightly through the third quarter of 2014. The percentage of employers planning to increase employment levels rose 3 percentage points between the second and third quarter surveys, with 22 percent planning to hire more employees. The majority of Metro Denver companies intend to maintain staff levels through the third quarter of the year.

Manpower Employment Outlook Survey								
National Metro Denver	Companies Hiring		Companies Laying Off		Companies No Change		Unsure	
	3Q 2014	26%	22%	8%	4%	64%	71%	2%
2Q 2014	20%	19%	5%	4%	72%	73%	3%	4%
3Q 2013	23%	22%	5%	6%	70%	70%	2%	2%

Labor Force and Unemployment

The average unemployment rates in the Denver South region improved between the second quarters of 2013 and 2014. Douglas County reported the smallest decline in the unemployment rate, falling 0.9 percentage points over-the-year to 4.5 percent, but it was the lowest unemployment rate of the four submarkets. The largest decrease occurred in the City and County of Denver, declining 1.5 percentage points to 5.6 percent during the same period. Centennial and Arapahoe County recorded unemployment rates of 5.4 percent.

- Of the seven Metro Denver counties, Douglas County had the smallest over-the-year decline in the unemployment rate. Arapahoe County reported the fifth smallest decline in the unemployment rate, while the City and County of Denver reported the third lowest.
- Metro Denver reported a 1.3 percentage point decline in the unemployment rate to 5.2 percent in the second quarter of 2013 compared with the prior year's level. The unemployment rate declined by 1.4 percentage points in Colorado, dropping to 5.5 percent. The United States recorded a 1.3 percentage point decline in the national unemployment rate over-the-year, falling to 6.1 percent.

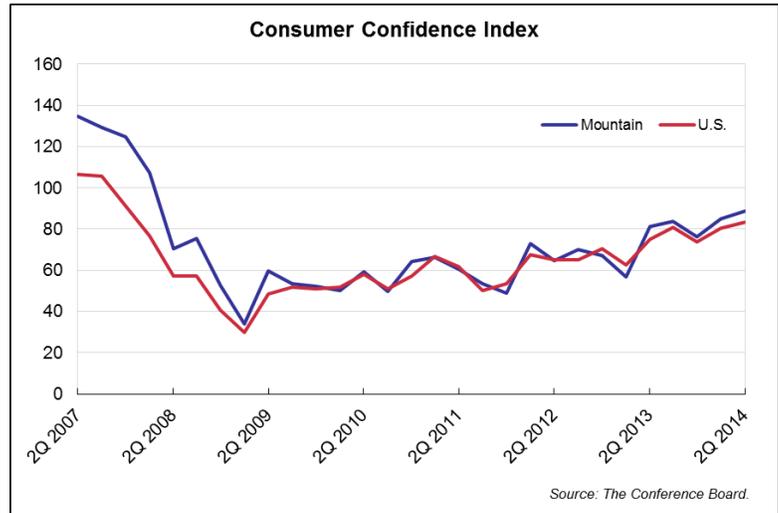


Consumer Activity

The Conference Board

Consumer confidence grew significantly during the second quarter of 2014, increasing 3.6 percent over-the-quarter to 83.4 for the U.S. index. The U.S. index also recorded an 11.1 percent increase in consumer confidence between the second quarters of 2013 and 2014.

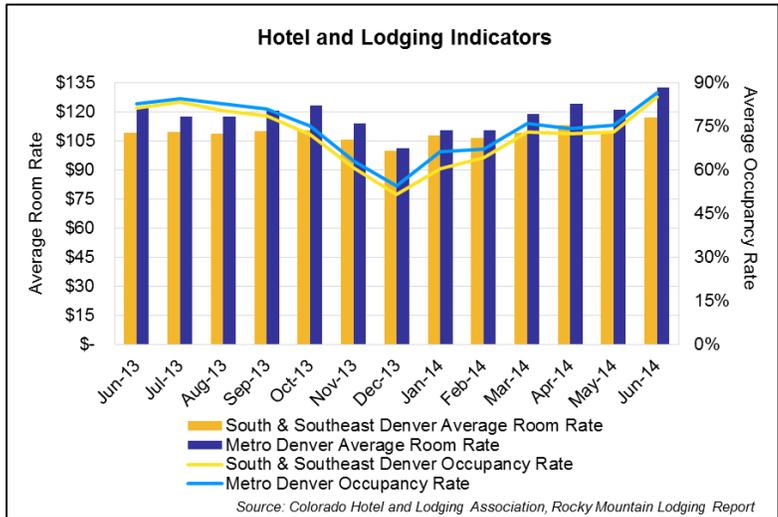
The Mountain Region index, which includes Colorado, also increased compared with the first quarter of 2014. The Mountain Region index increased to 88.7, an over-the-quarter increase of 4.2 percent and an over-the-year increase of 9 percent.



Lodging

Hotel and lodging in the Denver South region improved through the second quarter of the year. The South and Southeast Denver markets ended the second quarter with a year-to-date hotel occupancy rate of 71.5 percent, 5.6 percentage points higher than the previous year's level. The market's average rental rate was \$110.74 per night year-to-date, \$6.08 higher than the same period a year prior.

- Metro Denver ended the second quarter with a hotel occupancy rate of 74.4 percent, 6.4 percentage points higher than last year. The room rate for Metro Denver averaged \$120.32 per night through the first six months of 2014, a 6.1 percent increase over-the-year.



Retail Sales

Retail trade sales in the Denver South region reported strong improvements through the first quarter of the year. All four municipalities in the region reported increases in retail sales between the first quarters of 2013 and 2014. Greenwood Village recorded the largest increase in sales over-the-year, rising 19.6 percent to \$208 million. Lone Tree and Highlands Ranch also reported significant growth during the same period, increasing 6.8 percent and 5.7 percent, respectively. Centennial reported the smallest increase in retail sales between the first quarters of 2013 and 2014, rising 4.2 percent to \$478 million in total sales. Metro Denver reported a six percent increase in retail sales during the same period, generating an additional \$663 million in sales.

Retail Trade Sales (\$000s) by Industry & Municipality, First Quarter 2014

Industry	Centennial	Greenwood Village	Highlands Ranch	Lone Tree	Metro Denver
Motor Vehicles & Auto Parts	193,306	38,808		36,832	2,320,274
Furniture & Home Furnishings	48,596	2,441	3,837	18,081	401,837
Electronics & Appliance Stores	9,048	5,435	5,340	17,638	336,327
Building Materials & Nurseries	8,132	11,164			673,530
Food & Beverage Stores	83,317	37,083	53,967	11,366	2,100,067
Health & Personal Care Stores	11,694	1,867	12,445	8,802	519,416
Service Stations	9,662	5,774	8,798		623,354
Clothing & Accessory Stores	12,409	14,081	4,913	67,711	527,461
Sports Goods, Hobby, Book, and Music Stores	15,199	4,883	2,941	27,367	365,631
General Merchandisers & Warehouse Stores	27,391		38,663	96,416	1,482,139
Miscellaneous Stores	17,245	4,645	6,977	5,190	543,607
Non-Store Retailers	5,552		2,408	710	214,667
Food & Drinking Services	36,341	40,811	23,174	35,330	1,519,567
Total Retail Trade Sales, 1Q 2014	477,892	208,183	218,375	336,349	11,627,877
<i>Total Retail Trade Sales, 1Q 2013</i>	<i>458,483</i>	<i>174,091</i>	<i>206,594</i>	<i>314,908</i>	<i>10,965,320</i>

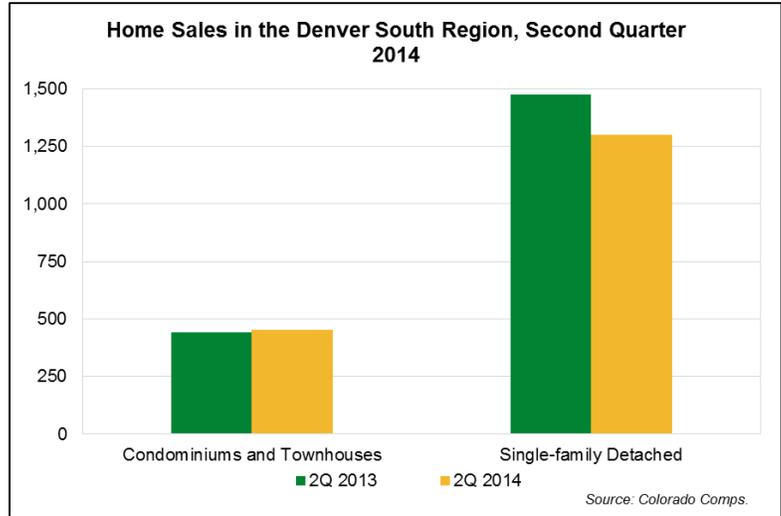
Note: Data for shaded categories are suppressed to maintain confidentiality.

Source: Colorado Department of Revenue.

Residential Real Estate

Home Sales

Between the second quarters of 2013 and 2014, total home sales in the Denver South region rose in the condominium/townhouses (+2.5 percent) sector but declined in the single-family detached sector (-12 percent). During the same period, an additional 11 condominiums and townhouses were sold (454 total) and single-family detached homes decreased by 177 homes to 1,300 sold in the second quarter. The average sales price for condominiums/townhouses (\$239,738) rose 2.7 percent, while the average sales price for single-family detached (\$428,993) rose 4.1 percent over-the-year.



- Metro Denver reported a 15.5 percent increase in condominium/townhome sales (4,261 sales) between the second quarters of 2013 and 2014 but a 5 percent decline in single-family detached home sales (12,521 sales). The average sales price of a condominium/townhouse rose 0.9 percent over-the-year and single-family detached average sales prices rose 4.2 percent.

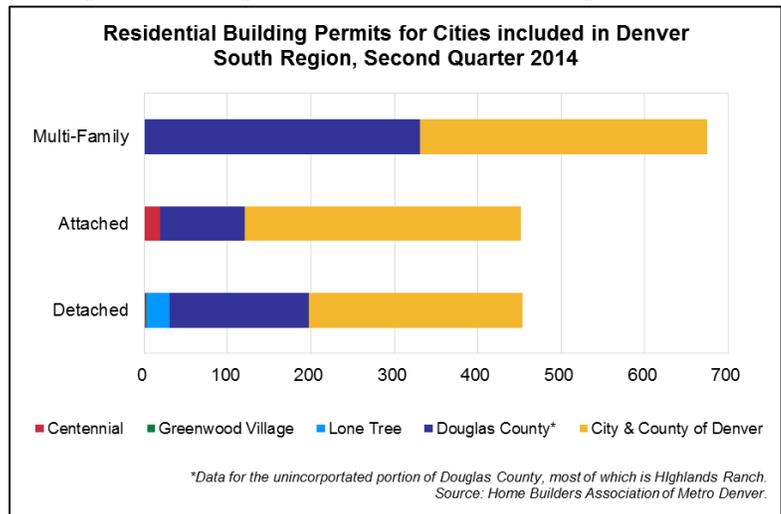
Existing Homes Sales in the Denver South Region, Second Quarter 2014

	Homes Sold			Average Sales Price			Average Sales Price per Sq. Ft.*		
	2Q 2014	2Q 2013	Yr/Yr % Ch	2Q 2014	2Q 2013	Yr/Yr % Ch	2Q 2014	2Q 2013	Yr/Yr % Ch
Denver South Region									
Condominiums/Townhouse	454	443	2.5%	\$239,738	\$233,397	2.7%	\$175	\$179	-2.2%
Single-Family Detached	1,300	1,477	-12.0%	\$428,993	\$412,067	4.1%	\$190	\$190	0.0%
Metro Denver									
Condominiums/Townhouse	4,261	3,688	15.5%	\$207,750	\$205,848	0.9%	\$177	\$172	2.9%
Single-Family Detached	12,521	13,182	-5.0%	\$366,337	\$351,517	4.2%	\$201	\$191	5.2%

Note: Data could include a small number of new home sales. *Excludes homes where total square footage was not reported.
Source: Colorado Comps.

Residential Building Permits

The five principal areas for the Denver South region reported 1,581 permits issued in the second quarter of 2014, an increase of 202 percent over-the-year. The increase in residential activity was largely concentrated in the City and County of Denver, where permits rose nearly 208 percent over-the-year to 932 permits issued. However, Douglas County posted the largest over-the-year increase in total permits, rising 277.4 percent. The City and County of Denver accounted for 51 percent of multi-family permits (344 permits) and Douglas County accounted for 49 percent with 331 permits. Centennial, Greenwood Village, and Lone Tree all reported declines in residential permits over-the-year. Greenwood Village only issued one permit (single-family)



detached) during the second quarter of 2014, representing a 75 percent decline from the prior year. (Note: Permit counts are for entire cities, not just the portion included in the Denver South region.)

Foreclosures

Foreclosure activity in the Denver South Region declined for the eighth consecutive quarter. Douglas County reported the largest decline in foreclosures, falling 46.4 percent in the second quarter of 2014 compared with the previous year. For the second quarter, Douglas County reported 111 total foreclosures, 12 fewer foreclosures than the previous quarter. Arapahoe County reported a 29 percent decline in foreclosures over-the-year to 355 filings in the second quarter of 2014. Foreclosure filings in the City and County of Denver fell nearly 16 percent during the same period. Metro Denver recorded a drop in foreclosure activity, declining 31.3 percent to 1,410 filings for the second quarter. (Source: Colorado Division of Housing.)

Apartment Market

The Denver South apartment market reported generally higher vacancy rates for the counties and market areas included in the region between the second quarters of 2013 and 2014. All three counties reported an increase in the vacancy rate, with the City and County of Denver recording the largest increase (+1 percentage point). Douglas and Arapahoe Counties also reported increases, rising 0.9 percentage points and 0.1 percentage points, respectively. The northern portion of Douglas County (+0.9 percentage points) and the southern portion of Arapahoe County (+0.1 percentage points) also reported vacancy rate increases, while the far southeast portion of the City and County of Denver reported the only decline (-0.7 percentage points).

The average rental rate increased across all market areas and counties in the Denver South region, with the largest over-the-year increase in the City and County of Denver- Far Southeast (+11.8 percent). The smallest decline was Douglas County, rising 8.7 percent during the same period.

Apartment Vacancy Rates and Average Rents

	Vacancy		Average Rent	
	2Q 2014	2Q 2013	2Q 2014	2Q 2013
Arapahoe County	4.6%	4.5%	\$1,067	\$979
Arapahoe County - South	2.7%	2.6%	\$1,334	\$1,212
City & County of Denver	5.6%	4.6%	\$1,127	\$1,026
Denver - Far Southeast	3.6%	4.3%	\$1,010	\$903
Douglas County	3.8%	2.9%	\$1,351	\$1,243
Douglas County - North	4.0%	3.1%	\$1,371	\$1,259
Metro Denver	4.7%	4.2%	\$1,117	\$1,022

Source: Apartment Association of Metro Denver, Denver Metro Apartment Vacancy and Rent Survey.

- Metro Denver reported a 0.5 percentage point increase in the vacancy rate over-the-year, while the average rental rate rose 9.3 percent through the second quarter.

Commercial Real Estate

Note: lease rates for industrial, flex, and retail property are triple-net; office rates are full-service.

Commercial Activity

All four commercial real estate markets in the Denver South Region reported improvements in the second quarter compared with the previous year’s levels. The office market reported a 1.1 percentage point decline in the vacancy rate, while the average lease rate rose 6.8 percent. The industrial market vacancy rate fell 0.1 percentage points and the average lease rate rose 13.1 percent during the same period. The flex market reported the largest decline in vacancy rates, falling 2.8 percentage points, and the average lease rate rose 6.2 percent. The retail market recorded a 0.5 percentage point decline in vacancy as well as a 3.3 percent decline in the average lease rate.

- The vacancy rate and the average lease rate in Metro Denver improved across all property types. The largest increase in average lease rate was in the industrial market, rising 16.1 percentage points over-the-year to \$5.61 per square foot. Flex space reported the largest decline in vacancy rate, falling 2.9 percentage points over-the-year.

Denver South Region Commercial Vacancy and Lease Rates by Property Type

		Office		Industrial		Flex		Retail	
		DSEDP Region	Metro Denver						
Total Existing	2Q 2014	41.4	173.5	7.8	203.3	7.8	40.9	17.8	159.1
Square Footage	2Q 2013	41.1	172.3	7.5	201.9	7.8	40.4	17.7	158.1
Direct Vacancy Rate	2Q 2014	10.3%	10.8%	3.5%	3.4%	11.7%	9.4%	4.4%	5.8%
	2Q 2013	11.4%	11.6%	3.6%	5.1%	14.5%	12.3%	4.9%	6.3%
Avg Lease Rate (per sq. ft.)	2Q 2014	\$22.32	\$22.38	\$8.56	\$5.61	\$8.92	\$9.72	\$17.92	\$15.35
	2Q 2013	\$20.89	\$21.45	\$7.57	\$4.83	\$8.40	\$9.17	\$18.54	\$15.12

Note: Vacancy rate and average lease rate are for direct space only (excludes sublet space). Industrial and retail lease rates are triple-net.

Source: CoStar Realty Information, Inc.

Nonresidential Development Activity

During the second quarter of 2014, the Denver South region reported 552,670 square feet of office, industrial, and retail space under construction. In addition to continued work on the Charles Schwab Campus, some of the larger projects included:

- Prime West Development, a Denver-based commercial real estate developer, is constructing a \$90 million office tower in Denver’s southeast corner. The 310,000-square-foot speculative office building will be energy efficient and anchored to One Belleview Station, attracting a mixed-use community. The 16-story building will include features such as flexible floor plates, efficient mechanical systems, five levels of structured parking, a fitness center, outdoor meeting areas, and retail and restaurant space on the ground floor. The completed building is expected in spring 2016.



Development Research Partners

Prepared by:
 Development Research Partners, Inc.
 10184 West Belleview Ave, Ste 100
 Littleton, Colorado 80127
 303-991-0070
www.developmentresearch.net
 September 2014