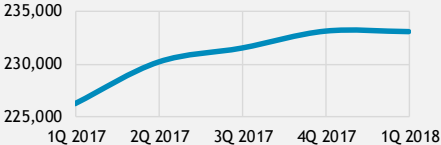
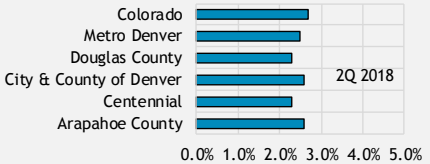
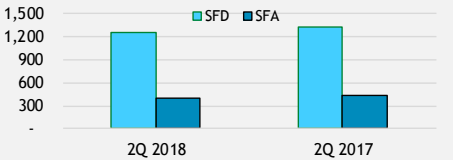
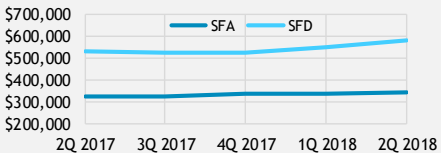
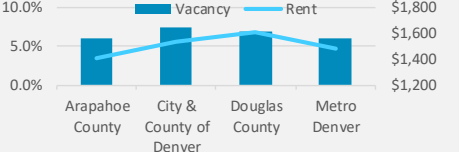
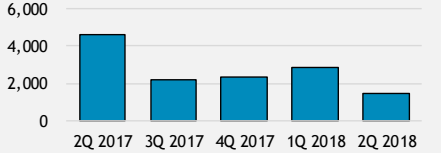
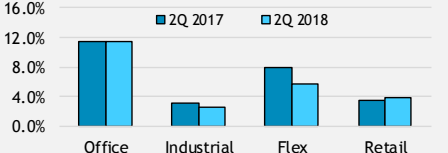
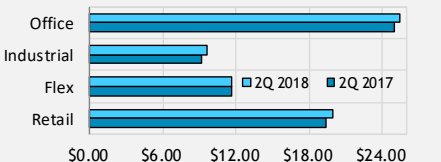


|   |   |   |
|---|---|---|
| <b>Employment</b>                         | <b>233,045</b><br>Up 3% from 1Q 2017                  |    |
| <b>Metro Denver Unemployment Rate</b>     | <b>2.5%</b><br>Down 0.1 percentage point from 2Q 2017 |    |
| <b>Existing Home Sales</b>                | <b>1,653</b><br>Down 6.6% from 2Q 2017                |   |
| Single-Family Detached Average Price      | <b>\$581,584</b><br>Up 9% from 2Q 2017                |  |
| Single-Family Attached Average Price      | <b>\$344,325</b><br>Up 4.8% from 2Q 2017              |   |
| Metro Denver Apartment Vacancy Rate       | <b>6.0%</b><br>Up 1 percentage points from 2Q 2017    |  |
| Metro Denver Apartment Average Lease Rate | <b>\$1,484</b><br>Up 4.5% from 2Q 2017                |   |
| <b>Residential Building Permits</b>       | <b>1,464</b><br>Down 68.5% from 2Q 2017               |  |
| Office Vacancy Rate                       | 11.5%   |  |
| Industrial Vacancy Rate                   | 2.6%  |   |
| Flex Vacancy Rate                         | 5.7%  |   |
| Retail Vacancy Rate                       | 3.8%  |   |
| Office Average Lease Rate                 | \$25.49   |  |
| Industrial Average Lease Rate             | \$9.65  |   |
| Flex Average Lease Rate                   | \$11.63   |   |
| Retail Average Lease Rate                 | \$19.96   |   |

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## Denver South EDP Economic Headlines

### Rankings

- *Fortune*'s 2018 "Best Workplaces for Millennials" list included Fast Enterprises LLC of Centennial this year, ranked No. 29. The fourth annual report, compiled by *Fortune* and San Francisco-based Great Place to Work, surveyed nearly 400,000 employees and asked respondents to rate the practices of their employers. Fast Enterprises was one of two Colorado firms to make the list.
- *Forbes* released the first-ever "Best Employers for Women" list, which included Greenwood Village-based Red Robin Gourmet Burgers. The company ranked No. 103. To create this list, *Forbes* partnered with market research firm Statista and surveyed 400,000 employees working in businesses with at least 1,000 employees. The final list of 300 companies also considered gender diversity among boards and executives.
- This year's Inc. 5000 list, made up of the fastest-growing private companies in the nation, included 137 companies located in Colorado. Many of these companies are located in the Denver South area. The annual list ranks private company's percentage revenue growth from 2014 to 2017. To qualify, companies must be U.S.-based, privately held, for profit, and independent.
- Denver ranked No. 10 on the 2018 "Scoring Tech Talent in North America" list, created by real estate giant CBRE. The list has been created for the past six years and ranks 50 North American cities on criteria such as tech talent supply, growth, concentration, cost, completed tech degrees, and the outlook for office and apartment rent cost growth. Denver was found to have a tech talent pool of 99,760 workers, an increase of 23.8 percent between 2012 and 2017, with a concentration of 6.2 percent.
- According to a new report from Realtor.com, Douglas County ranked No. 14 and Denver County ranked No. 15 on the 2018 list of the nation's top 15 housing markets for luxury homes. The real estate website analyzed markets where sale prices increased 10 percent or more over the past year. In Douglas County, luxury home sale prices increased 10.8 percent with an average sale price of \$925,000. Denver County reported a 10.6 percent increase with an average sale price of \$1,026,000.
- A new ranking of state economies using metrics like poverty rate, home ownership, job growth, and education ranked Colorado first in the country, ahead of Utah and Massachusetts. Compiled by the financial site 24/7 Wall Street, the state scored points for its low unemployment rate (2.7 percent at the time of the survey), five-year annual GDP growth rate of 2.7 percent, and a five-year employment growth rate of 2.4 percent.
- Colorado ranked No. 5 in 2018 on CNBC's annual "Best States for Business" list. Colorado scored "A+", "A", or "A-" grades in the categories of workforce, economy, technology and innovation, and access to capital. The state scored a "D+" grade in the cost of living category. With the state's low unemployment and booming economy, CNBC observed that Colorado needs more workers in order to support its great economy. Texas ranked No. 1.
- Colorado ranked 7th in the nation for healthcare across 40 key measures, according to a new *WalletHub* study. The report compared each state on cost, access, and outcomes like the number of hospital beds per capita, life expectancy, and average monthly insurance premiums. Douglas County and the City and County of Denver tied with Boulder for the highest access to care in Colorado.

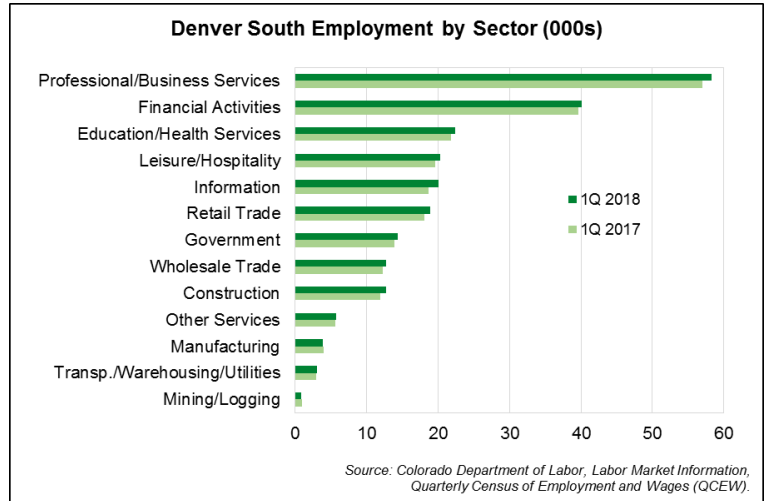
### Company Announcements

- A Kansas-based aviation company, Executive AirShare, is bringing a new timeshare model to Centennial Airport. The company sells stakes in private aircraft in a manner similar to timeshares in a condominium, giving clients options of flying a personal jet anywhere in the U.S., Caribbean Islands, and parts of Mexico and Canada. Planes can be reserved in as little as 24 hours. Executive AirShare's full fleet is comprised of 29 private jets.

- Phonebook publishing company, DexYP, is closing its Greenwood Village office. Roughly 39 employees, the bulk of whom have the title “telemarketing consultant” or “telesales associate” will be let go on September 30. An undisclosed number of other employees will lose their jobs by the end of October.

## Employment Activity

The Denver South region reported first quarter 2018 employment of 233,045 workers, rising 3 percent above the previous year’s level. This represented an additional 6,801 jobs over-the-year. Eleven of the 13 supersectors reported increases during the period. The information supersector added the most jobs, increasing 7.2 percent between the first quarters of 2017 and 2018, and adding 1,346 jobs. Professional and business services, the largest supersector by employment, added 1,236 jobs during the period, an increase of 2.2 percent. The construction supersector reported an increase of 6.3 percent over-the-year, followed by retail trade (+4.5 percent), and wholesale trade (+3.6 percent). Mining and logging (-9.6 percent) and manufacturing (-3.2 percent) reported the only contractions between the first quarter of 2017 and the first quarter of 2018, decreasing by 87 jobs and 125 jobs, respectively.



- Metro Denver employment rose 2.7 percent in the first quarter of 2018 compared with the same period in 2017. Twelve of the 13 supersectors in Metro Denver reported increases over-the-year. The largest percentage increases in employment were in the mining and logging and construction supersectors, rising 10 percent and 7.4 percent, respectively. The transportation, warehousing, and utilities (+6 percent) and the information (+5.2 percent) supersectors also reported significant growth. The other services supersector reported the only decrease in employment over-the-year, falling 0.6 percent.

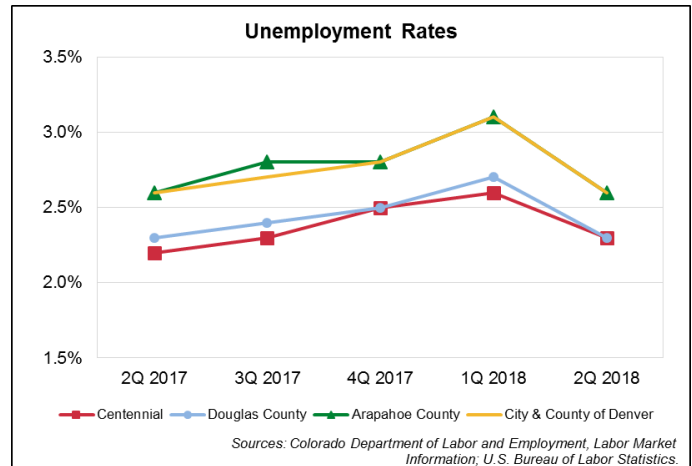
## Manpower Employment Outlook Survey

Employers in the Denver-Aurora MSA expect to hire at a hopeful pace during the fourth quarter of 2018, according to the Manpower Employment Outlook Survey. Among employers surveyed, 25 percent plan to hire more employees from October to December, a decrease of 4 percentage points between the third and fourth quarters, but an increase of 5 percentage points over-the-year. This number is offset by the 7 percent that plan to reduce payrolls, which is an increase of 3 percentage points from the third quarter of 2018, but a decrease of 2 percentage points from the same time last year. Of employers, 68 percent expect to maintain current staff levels, an increase of 3 percentage points from the third quarter and no change from the previous year.

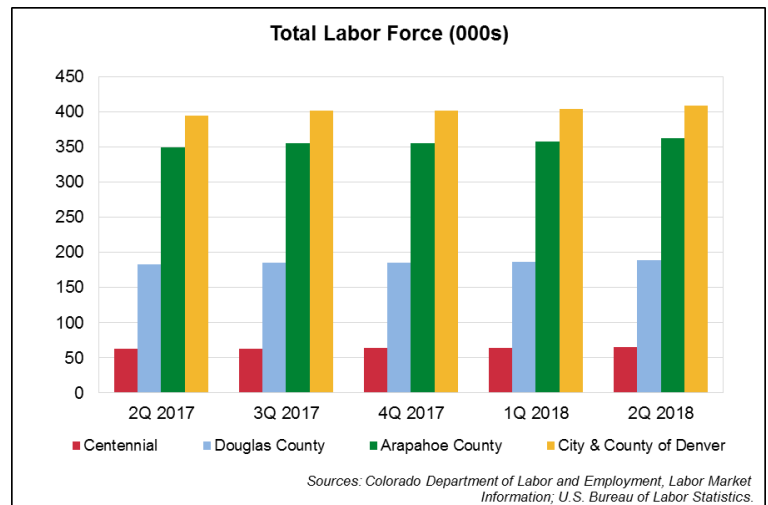
| Manpower Employment Outlook Survey |                  |     |                      |    |                     |     |        |    |
|------------------------------------|------------------|-----|----------------------|----|---------------------|-----|--------|----|
| Metro Denver<br>National           | Companies Hiring |     | Companies Laying Off |    | Companies No Change |     | Unsure |    |
| 4Q 2018                            | 25%              | 22% | 7%                   | 5% | 68%                 | 71% | 0%     | 2% |
| 3Q 2018                            | 29%              | 24% | 4%                   | 3% | 65%                 | 71% | 2%     | 2% |
| 4Q 2017                            | 20%              | 21% | 9%                   | 6% | 68%                 | 71% | 3%     | 2% |

## Labor Force and Unemployment

Unemployment rates were mixed throughout the Denver South region in the second quarter of 2018. The unemployment rate for Centennial rose slightly, increasing 0.1 percentage point to 2.3 percent over-the-year. Arapahoe, Denver, and Douglas Counties all held steady, remaining at 2.6 percent, 2.6 percent, and 2.3 percent unemployment, respectively. Between the first and second quarters of 2018, Centennial's unemployment rate decreased 0.3 percentage points. Arapahoe County and the City and County of Denver decreased 0.5 percentage points, while Douglas County fell 0.4 percentage points. Quarterly unemployment rates in the Denver South region remained near historically low levels in the second quarter.



- Two of the seven Metro Denver counties recorded decreases in the unemployment rate. Adams County and the City and County of Broomfield each fell 0.1 percentage point between the second quarters of 2017 and 2018. Boulder County reported the only increase, rising 0.1 percentage point to 2.4 percent. The remaining four counties held steady over-the-year. All seven counties decreased over-the-quarter, falling between 0.7 percentage points in Adams County to 0.4 percentage points in Boulder, Broomfield, Douglas, and Jefferson Counties.



- The unemployment rate in Metro Denver fell 0.1 percentage point to 2.5 percent between the second quarters of 2017 and 2018. Colorado reported an unemployment rate of 2.7 percent at the end of the second quarter, which remained unchanged from the previous year. The national unemployment rate fell 0.4 percentage points over-the-year to 3.8 percent.

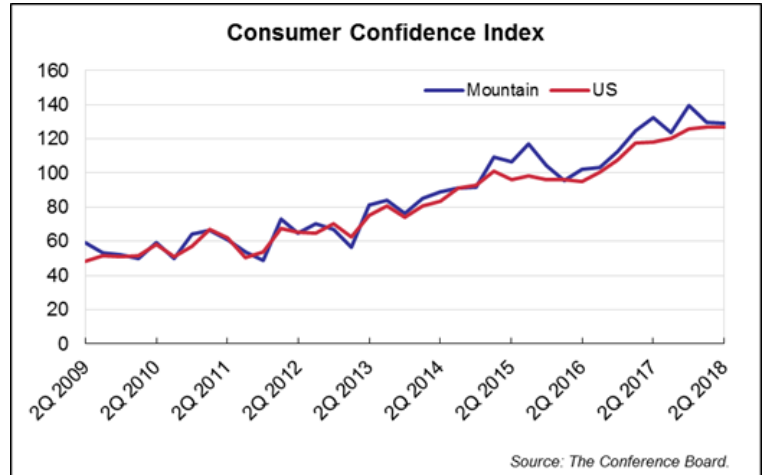
## Consumer Activity

- The latest state revenue forecasts presented to lawmakers anticipate about \$1 billion in new money to spend, save, or refund in fiscal year 2019-20, a 6 to 8 percent increase from the prior budget year that begins July 1. The extra revenue is expected to exceed the state's Taxpayer's Bill of Rights (TABOR) caps on tax revenue and may result in TABOR refunds in either 2020 or 2021. Colorado ended the current budget year on June 30 with \$537 million to \$544 million in the bank, much of which will cover the \$495 million state lawmakers approved for transportation spending.

## Consumer Confidence

The Consumer Confidence Index for the U.S. increased slightly between the first and second quarters of 2018, rising 0.1 percent to 127.2. The index also grew over-the-year, reporting an increase of 7.7 percent from 118.1 the previous year. Consumer confidence in the U.S. increased over-the-year for eight consecutive quarters.

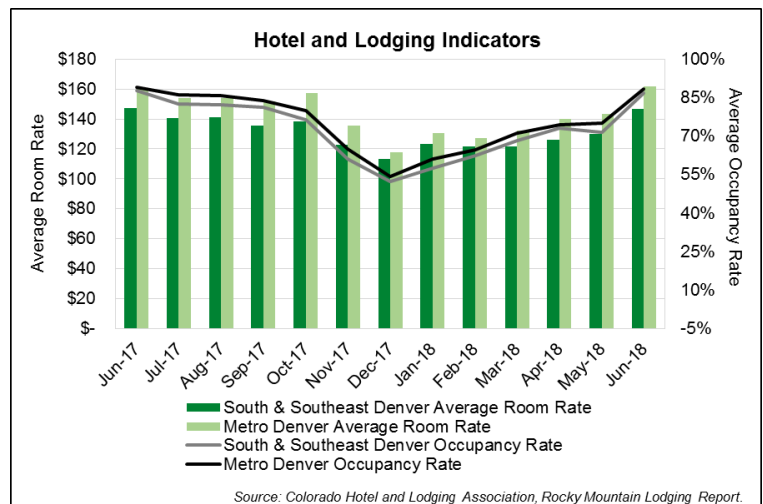
Colorado is included in the Mountain Region Index and the area reported a decrease in consumer confidence between the first and second quarters of 2018. The index fell slightly by 0.3 percent over-the-quarter, posting a level of 129.3. Between the second quarter of 2017 and 2018, the index also fell, decreasing by 2.5 percent. This is the first over-the-year decrease in seven quarters.



### Lodging

The South and Southeast Denver market ended the second quarter with a hotel occupancy rate of 86.7 percent in June 2018, a 1.1 percentage point decrease from the same time last year. The market’s average room rate was \$146.72 per night, 0.3 percent lower than the June 2017 rate.

- Metro Denver reported a hotel occupancy rate of 88.3 percent at the end of the second quarter, 0.7 percentage points lower than last year. The average room rate for Metro Denver was \$161.85 at the end of June, 1.1 percent above the previous year’s rate, or an increase of \$1.76 per night.



### Residential Real Estate

Builder confidence for newly built single-family homes fell one point to a reading of 67 on the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). Builders continue to report strong demand for new housing, fueled by steady job growth and income growth along with rising household formations. However, they are increasingly focused on growing affordability concerns, stemming from rising construction costs, shortages of skilled labor, and a dearth of buildable lots.

- The construction of 68 duplexes and 136 single-family homes is planned for the Trails at Crowfoot neighborhood in Parker. The duplexes will have front porches and garages in the rear, and the master plan for the neighborhood includes several “pocket parks” located in various spots. The homes will be priced from the low to mid \$400,000s.
- RidgeGate, a development in Lone Tree, is adding 350 affordable apartments, including 150 reserved for people age 55+, on the east side of I-25. The affordable rental housing will be centered around a forthcoming light rail stop. Units will be reserved for residents making between 40 and 60 percent of the area median income for the Denver-Aurora-Lakewood statistical area. Currently, the average home sale price for Lone Tree is \$820,000.

## Home Sales

Home sales in the Denver South region reflected a tightening real estate market as demand continued to outpace supply, falling by 6.6 percent over the year to 1,653 homes sold between the second quarters of 2017 and 2018. Sales of condominiums and townhomes fell 8 percent to 400 homes sold and single-family detached sales fell 6.1 percent to 1,253 homes sold. The average sales price for single-family detached (\$581,584) rose 9 percent over-the-year, while the average sales price for condominiums and townhomes (\$344,325) rose 4.8 percent.

- Metro Denver reported 16,051 total home sales during the second quarter of 2018, a 6.5 percent decline over-the-year. Single-family detached home sales (12,032 sales) fell 6.8 percent over-the-year, while condominium and townhome sales (4,019 sales) fell 5.5 percent. The average sales price of a single-family detached home rose 9.3 percent over-the-year and the condominium and townhome price rose 8 percent.

### Existing Home Sales in the Denver South Region, First Quarter 2018

|                        | Homes Sold |         |            | Average Sales Price |           |            | Avg Sales Price per Sq. Ft.* |         |            |
|------------------------|------------|---------|------------|---------------------|-----------|------------|------------------------------|---------|------------|
|                        | 2Q 2018    | 2Q 2017 | Yr/Yr % Ch | 2Q 2018             | 2Q 2017   | Yr/Yr % Ch | 2Q 2018                      | 2Q 2017 | Yr/Yr % Ch |
| Denver South Region    |            |         |            |                     |           |            |                              |         |            |
| Condominium/Townhouse  | 400        | 435     | -8.0%      | \$344,325           | \$328,448 | 4.8%       | \$252                        | \$236   | 6.5%       |
| Single-Family Detached | 1,253      | 1,334   | -6.1%      | \$581,584           | \$533,728 | 9.0%       | \$247                        | \$231   | 7.1%       |
| Metro Denver           |            |         |            |                     |           |            |                              |         |            |
| Condominium/Townhouse  | 4,019      | 4,253   | -5.5%      | \$303,560           | \$281,043 | 8.0%       | \$265                        | \$243   | 9.1%       |
| Single-Family Detached | 12,032     | 12,912  | -6.8%      | \$525,771           | \$481,250 | 9.3%       | \$288                        | \$263   | 9.8%       |

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

Source: Colorado Comps, LLC.

## Foreclosures

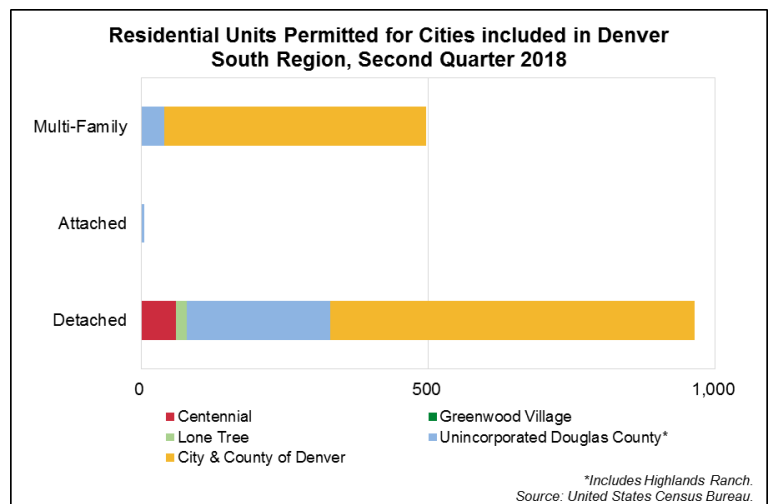
Foreclosure filings fell in the Denver South region and also throughout the entire Metro Denver area during the second quarter of 2018 compared with last year at this time. The City and County of Denver reported a decrease of 16.7 percent, Arapahoe County fell 5.8 percent, and Douglas County decreased 3.4 percent. The remaining four Metro Denver counties, Boulder County (-29.5 percent), Adams County (-29.2 percent), the City and County of Broomfield (-28.6 percent), and Jefferson County (-14.1 percent) all decreased over-the-year. Total foreclosure filings reported in Metro Denver during the second quarter of 2018 were 16.5 percent lower than the second quarter of 2017 and were 12.1 percent lower than the fourth quarter of 2017. (Source: county public trustees.)

## Residential Building Permits

Building permits issued in the Denver South region decreased in the second quarter of 2018. The five principal areas for the Denver South region issued building permits for 1,464 units during the quarter, which was 68.5 percent lower over-the-year. Three of the market areas reported significant declines, with the City and County of Denver reporting the greatest absolute decrease in permits, as well as the greatest percentage decrease. Denver fell 73.3 percent between the second quarters of 2017 and 2018, or 2,993 fewer permitted units.

Unincorporated Douglas County (-224 permits) fell 43.3 percent, and Greenwood Village (-2 permits) fell 66.7 percent. Centennial and Lone Tree reported increases over-the-year, rising 78.8

percent and 46.2 percent, respectively. The increases in Centennial and Lone Tree were entirely due to new single-family detached home permits. Metro Denver reported a 10.5 percent decrease in building permits, representing 1,438 fewer permits over-the-year. (Note: Permit counts are for entire cities, not just the portion included in the Denver South region.)





## Apartment Market

Between the second quarters of 2017 and 2018, apartment vacancy rates increased in all six Denver South submarkets. The largest over-the-year increase was in the Arapahoe County – South market, where new units were delivered to the market, causing the vacancy rate to increase from 3.2 percent to 16.2 percent. Once the new units are leased, the vacancy rate for the area should decrease back toward a more natural equilibrium. All other market areas rose between 0.7 percentage points in Douglas County – North to 2.2 percentage points in Douglas County. The average rental rate rose over-the-year across all six market areas in the Denver South region, with the largest over-the-year increase in Arapahoe County - South (+9.3 percent). Denver – Far Southeast (+7.2 percent) and the City and County of Denver (+6.6 percent) also recorded significant increases during the same period. The average rental rate ranged from \$1,341 per month in the Denver – Far Southeast market to \$1,666 per month in the Arapahoe County – South market.

### Apartment Vacancy Rates and Average Rents

|                         | Vacancy     |             | Average Rent   |                |
|-------------------------|-------------|-------------|----------------|----------------|
|                         | 2Q 2018     | 2Q 2017     | 2Q 2018        | 2Q 2017        |
| Arapahoe County         | 6.0%        | 4.3%        | \$1,412        | \$1,362        |
| Arapahoe County - South | 16.2%*      | 3.2%        | \$1,666        | \$1,524        |
| City & County of Denver | 7.5%        | 5.6%        | \$1,534        | \$1,439        |
| Denver - Far Southeast  | 5.1%        | 4.0%        | \$1,341        | \$1,251        |
| Douglas County          | 6.9%        | 4.7%        | \$1,606        | \$1,554        |
| Douglas County - North  | 5.7%        | 5.0%        | \$1,621        | \$1,571        |
| <b>Metro Denver</b>     | <b>6.0%</b> | <b>5.0%</b> | <b>\$1,484</b> | <b>\$1,420</b> |

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

\*Vacancy rate affected by new units leasing up

- The vacancy rate in Metro Denver rose 1 percentage point over-the-year to 6 percent. The average rental rate increased 4.5 percent over-the-year to \$1,484 per month, representing an additional \$64 in average monthly rent.

## Commercial Real Estate

- Centennial Airport plans to construct a new administration building that will double as a community center for tenants and students, and as a place for events. The facility is expected to be completed in early 2020 and will sit in the northwest corner of the airport’s main parking lot on South Peoria Street. “The Hanger,” which will feature approximately 20,000 square feet of space, will be funded by the airport. Centennial Airport is one of the busiest general-aviation airports in the country.
- The Laszlo, a high-end 51-room boutique hotel, is planned for the West End on Main Street, located in Parker. The hotel is four stories with planned completion in the summer of 2019, and will feature 14,000 square feet of restaurant, bar, and retail space, including a steak and seafood restaurant, sports bar, martini and oyster bar, diner, and tap room. Located near the AMC movie theatre on Stage Run Road, the development aims to tie together Class A office space and retail, several additional restaurants, the movie theatre, and pedestrian connections to trails and green space into an arts and entertainment district.

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

The Denver South commercial real estate market reported varied trends across the four property types during the second quarter of 2018 compared with the previous year. The vacancy rate rose 0.2 percentage points in the retail market, while holding steady at 11.5 percent in the office market. The industrial (-0.5 percentage points) and flex (-2.3 percentage points) markets reported decreases during the same period. Three of the four property types reported rising average lease rates, led by the industrial market rising 5.7 percent to \$9.65 per square foot. The retail market (+2.6 percent) and the office market (+1.9 percent) also reported increases over-the-year. The average lease rate in the flex market decreased 0.2 percent over-the-year to \$11.63 per square foot.

- Metro Denver also recorded mixed trends across the four property types between the second quarters of 2017 and 2018. The vacancy rate increased in three of the four market areas, with the largest increase in the industrial market (+0.4 percentage points). The office market reported an increase of 0.3 percentage points and the retail market rose by 0.2 percentage points. The vacancy rate in the flex market fell over-the-year, decreasing 0.5 percentage points to 7 percent vacancy. The average lease rate increased in all four markets, with the flex market recording the largest increase of 4.7 percent, followed by the retail market, which rose 4.5 percent during the same period.

### Denver South Region Commercial Vacancy and Lease Rates by Property Type

|                               | Office       |              | Industrial   |              | Flex         |              | Retail       |              |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                               | DSEDP Region | Metro Denver | DSEDP Region | Metro Denver | DSEDP Region | Metro Denver | DSEDP Region | Metro Denver |
| Total Existing Square Footage | 44.3         | 189.1        | 8.5          | 218.3        | 7.8          | 45.9         | 19.0         | 168.5        |
| 2Q 2018                       | 43.4         | 185.5        | 8.2          | 213.6        | 7.8          | 45.4         | 18.9         | 167.2        |
| 2Q 2017                       | 43.4         | 185.5        | 8.2          | 213.6        | 7.8          | 45.4         | 18.9         | 167.2        |
| Direct Vacancy Rate           | 11.5%        | 10.1%        | 2.6%         | 4.5%         | 5.7%         | 7.0%         | 3.8%         | 4.5%         |
| 2Q 2018                       | 11.5%        | 9.8%         | 3.1%         | 4.1%         | 8.0%         | 7.5%         | 3.6%         | 4.3%         |
| 2Q 2017                       | 11.5%        | 9.8%         | 3.1%         | 4.1%         | 8.0%         | 7.5%         | 3.6%         | 4.3%         |
| Avg Lease Rate (per sq. ft.)  | \$25.49      | \$26.61      | \$9.65       | \$7.86       | \$11.63      | \$12.16      | \$19.96      | \$18.19      |
| 2Q 2018                       | \$25.02      | \$26.08      | \$9.13       | \$7.60       | \$11.65      | \$11.61      | \$19.45      | \$17.40      |
| 2Q 2017                       | \$25.02      | \$26.08      | \$9.13       | \$7.60       | \$11.65      | \$11.61      | \$19.45      | \$17.40      |

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

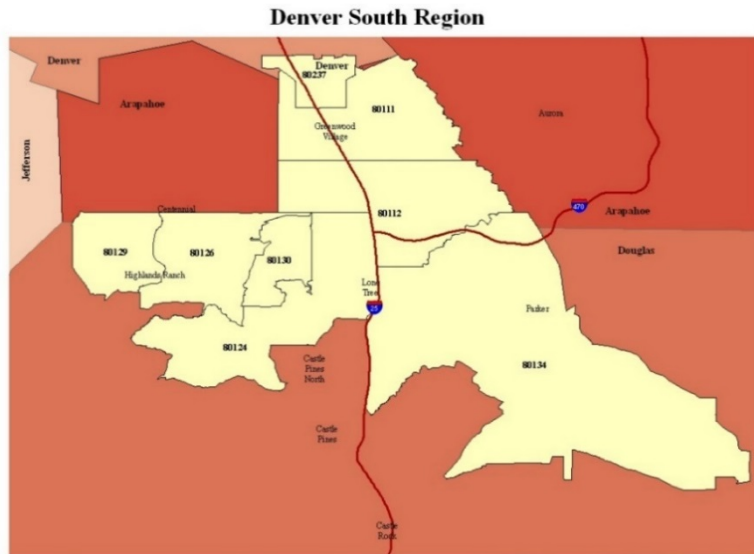
*Source: CoStar Realty Information, Inc.*

### Nonresidential Development Activity

Construction started or continued during the second quarter of 2018 on over 715,200 square feet of office, retail, and industrial space in the Denver South region.

- The largest project currently under construction is the 50 Fifty DTC office building in the Denver Tech Center, spanning 185,000 square feet. During the second quarter of 2018, over 333,000 square feet of office space was under construction in the Denver South region.
- There was 49,600 square feet of retail space under construction, including two buildings encompassing 24,100 square feet for the Country Meadows Square Center in Parker.
- There were four industrial projects under construction in the Denver South region during the second quarter of 2018. The Dove Valley Business Center was the largest project, totaling over 149,650 square feet of industrial space.

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