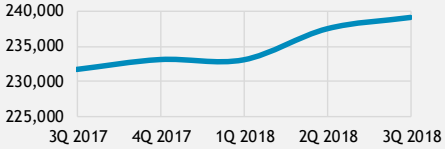
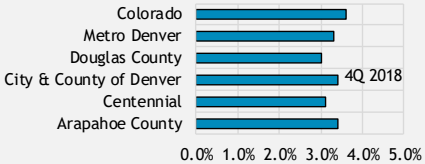
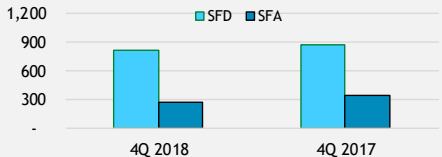
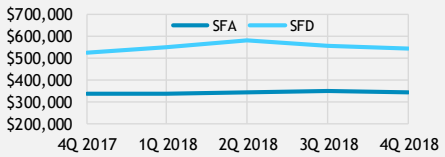
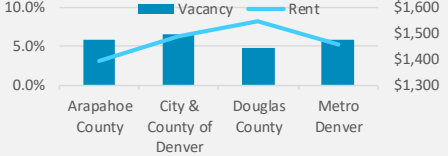
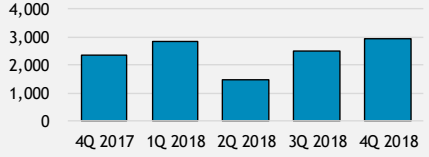
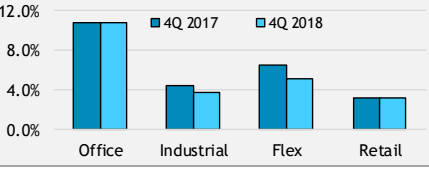
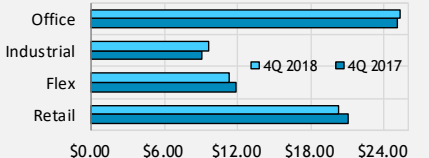


Quarterly Economic Summary

Employment	239,103 Up 3.2% from 3Q 2017	
Metro Denver Unemployment Rate	3.3% Up 0.6 percentage points from 4Q 2017	
Existing Home Sales	1,097 Down 9.9% from 4Q 2017	
Single-Family Detached Average Price	\$547,113 Up 4.3% from 4Q 2017	
Single-Family Attached Average Price	\$347,745 Up 2.6% from 4Q 2017	
Metro Denver Apartment Vacancy Rate	5.8% Down 0.6 percentage points from 4Q 2017	
Metro Denver Apartment Average Lease Rate	\$1,456 Up 4.3% from 4Q 2017	
Residential Building Permits	2,952 Up 25.8% from 4Q 2017	
Office Vacancy Rate	10.8%	
Industrial Vacancy Rate	3.7%	
Flex Vacancy Rate	5.1%	
Retail Vacancy Rate	3.2%	
Office Average Lease Rate	\$25.40	
Industrial Average Lease Rate	\$9.58	
Flex Average Lease Rate	\$11.34	
Retail Average Lease Rate	\$20.32	

Denver South EDP Economic Headlines

Rankings

- Two Denver South companies made *Fortune Magazine*'s annual list of the "World's Most Admired Companies." The list recognizes companies based on the key attributes of reputation, including investment value, quality of management and products, and ability to attract talent. Arrow Electronics ranked first in the category of "Wholesalers: Electronics and Office Equipment." Liberty Media in unincorporated Douglas County ranked No. 7 in the Entertainment category.
- The Regional Transportation District will open its \$233 million Southeast Rail Extension into the Lone Tree community on May 17. The 2.3-mile addition of three new rail stops along the E, F, and R lines is being opened months before originally planned, and likely under budget. There will be a 1,300-vehicle parking garage at the terminus of the southeast line.
- Denver ranked No. 8 in the first-ever Surge Cities Index by *Inc. Magazine* and Startup Genome, a measure of the best cities to start a business. Researchers highlighted the city's attractiveness to millennials. The study also cited the encouraged expansion of A.I., machine learning, blockchain, and cryptocurrency in Denver. Topping the list was Austin, followed by Salt Lake City and Raleigh, North Carolina.
- According to the U.S. Census Bureau, an estimated 3.2 percent of Douglas County's 335,299 residents lived in households with incomes below the poverty threshold, the second-lowest rate in the country. By comparison, the U.S. rate was 13.4 percent last year and Colorado's poverty rate was 10.3 percent, the sixth-lowest among states. Further, Douglas County's poverty rate for residents younger than 18 was 2.7 percent, the lowest in the country.
- When it comes to its competitiveness and ability to contribute to the growth of the overall tech industry, Colorado ranked second in the country. The *2018 Milken Institute State Technology and Science Index* ranked Colorado behind Massachusetts, which has held the top spot since 2002. Colorado ranked No. 3 for its research and development capacity, No. 2 for its success rate of converting research into commercially viable products and services, and No. 4 for its presence of high-end technical talent.
- Wallethub ranked Colorado the fifth most-educated state in the country, applying 20 metrics to all 50 states to come up with the rankings. Colorado was first in percentage of associate degree holders or college-experienced adults and second in percentage of bachelor's degree holders. The four states ranked ahead of Colorado as most educated were Connecticut, Vermont, Maryland, and Massachusetts.
- The U.S. Green Building Council released its annual list of Top 10 States for Leadership in Energy and Environmental Design (LEED), and Colorado ranked No. 6 on the 2018 list, up from No. 10 in 2017. Colorado has made the top 10 every year since the rankings were introduced in 2010. The increase in ranking was due to the efforts of private businesses and building owners that resulted in the certification of nearly 40 more buildings in the state in 2018 than in the previous year.

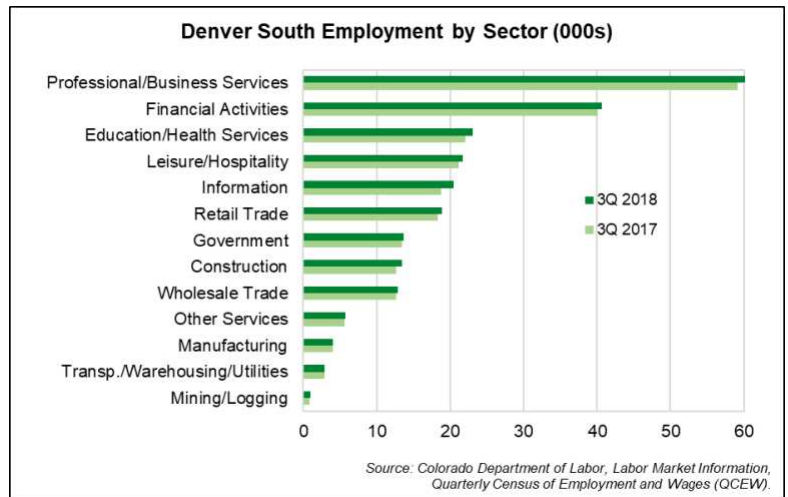
Company Announcements

- General contractor and engineering company Kiewit Corporation plans to build a new regional headquarters in Lone Tree. The facility is expected to eventually house up to 1,100 employees, including about 200 new hires in the next year. The new facility will be located next to the Sky Ridge light rail station.

- WestRock Co. is closing its Centennial plant, laying off 61 people within two weeks of March 25th. The bulk of the employees being laid off are production workers. The company said 54 people will immediately lose their jobs when the branch ceases operations. Seven more will help with the closure, then leave in late April or May. WestRock employs 50,000 people and has more than 320 manufacturing facilities, design centers, research labs, and sales offices around the world.

Employment Activity

The Denver South region reported third quarter 2018 employment of 239,103 workers, rising 3.2 percent above the previous year’s level. This represented an additional 7,425 jobs over-the-year. All 13 supersectors reported increases during the period. The information supersector added the most jobs, increasing 8.9 percent between the third quarters of 2017 and 2018, and adding 1,677 jobs. Construction reported the next-largest percentage increase, rising 6.5 percent and adding 826 jobs over-the-year. Other supersectors that reported strong growth included education and health services (+4.8 percent), mining and logging (+3.9 percent), and retail trade (+3.4 percent).



- Metro Denver employment rose 2.6 percent in the third quarter of 2018 compared with the same period in 2017. All 13 supersectors in Metro Denver reported increases over-the-year. The largest percentage increases in employment were in the transportation, warehousing, and utilities and information supersectors, rising 7.5 percent and 6.1 percent, respectively. Mining and logging (+6 percent) and construction (+5.4 percent) also reported strong growth during the period.

Manpower Employment Outlook Survey

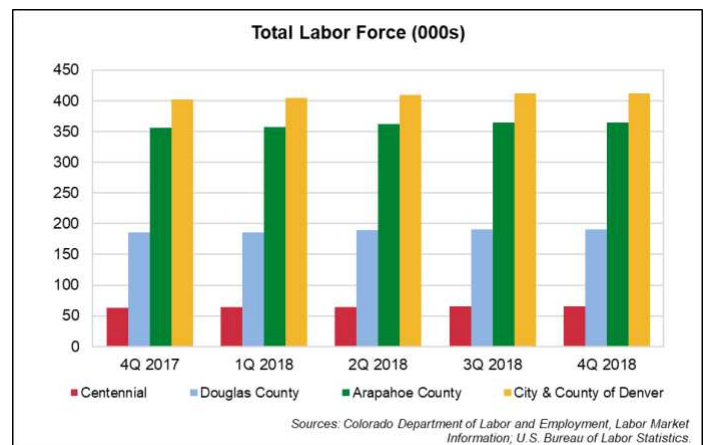
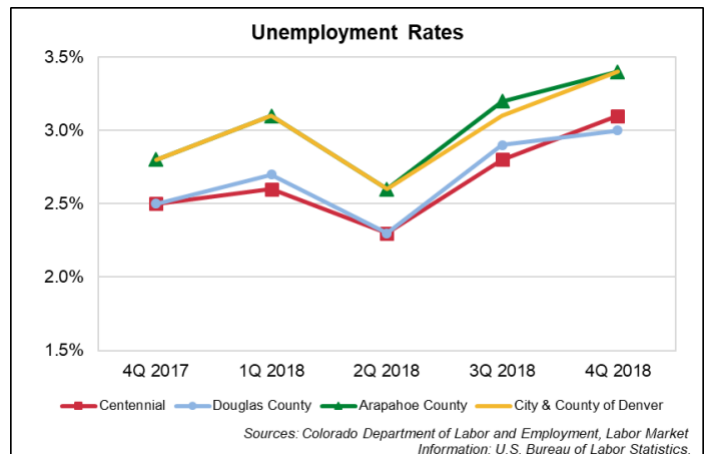
According to the Manpower Employment Outlook Survey, 35 percent of Denver MSA employers plan to hire more employees from April through June, an increase of 4 percentage points between the second quarter of 2018 and the second quarter of 2019. This number is offset by the 1 percent that plan to reduce payrolls, which is a decrease of 2 percentage points from the second quarter of 2018, and a decrease of 5 percentage points from the previous quarter. Of employers, 63 percent expect to maintain current staff levels, a decrease of 9 percentage points from the first quarter but the same as the previous year.

Manpower Employment Outlook Survey								
Metro Denver National	Companies Hiring		Companies Laying Off		Companies No Change		Unsure	
2Q 2019	35%	24%	1%	3%	63%	72%	1%	1%
1Q 2019	22%	23%	6%	5%	72%	71%	0%	1%
2Q 2018	31%	23%	3%	3%	63%	73%	3%	1%

Labor Force and Unemployment

Unemployment rates rose throughout the Denver South region in the fourth quarter of 2018. The unemployment rate for Centennial increased 0.6 percentage points over-the-year to 3.1 percent. Arapahoe County rose 0.6 percentage points to 3.4 percent. The City and County of Denver also rose 0.6 percentage points to 3.4 percent, while Douglas County reported a level of 3 percent, increasing 0.5 percentage points from the previous year. Between the third and fourth quarters of 2018, Centennial's unemployment rate increased 0.3 percentage points. Arapahoe County (+0.2 percentage points), the City and County of Denver (+0.3 percentage points), and Douglas County (+0.1 percentage points) also reported increases in the unemployment rate over-the-quarter.

- The remaining four Metro Denver counties recorded increases in the unemployment rate between the fourth quarter of 2017 and the fourth quarter of 2018, each increasing 0.5 percentage points. All counties also increased over-the-quarter, ranging from 0.1 percentage point in Boulder County to 0.3 percentage points in Adams County.
- The unemployment rate in Metro Denver rose 0.6 percentage points to 3.3 percent between the fourth quarters of 2017 and 2018. Colorado reported an unemployment rate of 3.6 percent at the end of the fourth quarter, an increase of 0.9 percentage points from the previous year. The national unemployment rate fell 0.3 percentage points over-the-year to 3.6 percent.

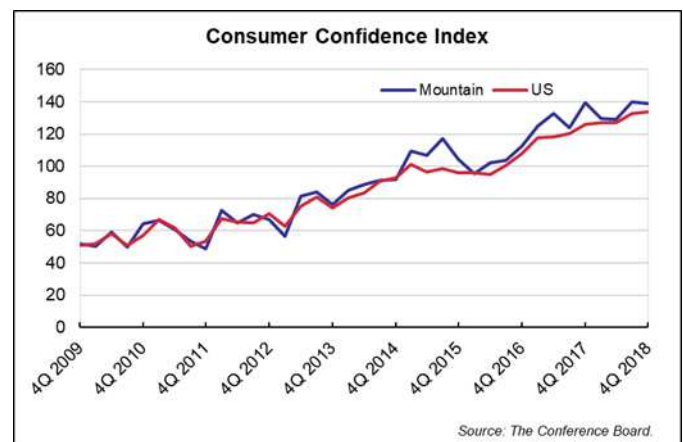


Consumer Activity

Consumer Confidence

The Consumer Confidence Index for the U.S. increased between the third and fourth quarters of 2018, rising 0.8 percent to 133.6. The U.S. Index also grew over-the-year, reporting an increase of 6.1 percent from 126 the previous year. Consumer confidence in the U.S. increased over-the-year for ten consecutive quarters.

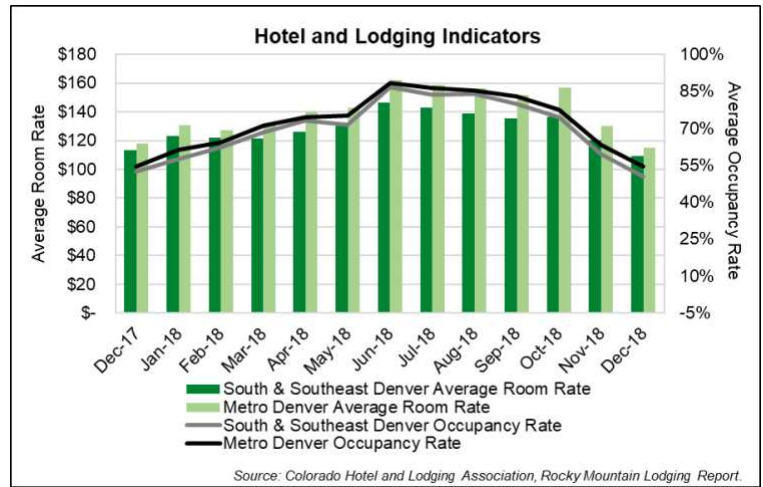
Colorado is included in the Mountain Region Index and the area reported a decrease in consumer confidence between the third and fourth quarters of 2018. The index fell by 0.8 percent over-the-quarter, posting a level of 138.7. Between the fourth quarter of 2017 and 2018, the index also fell, decreasing by 0.5 percent. Despite the small decline, consumer confidence remains at historically strong levels for the mountain region.



Lodging

The South and Southeast Denver market ended the fourth quarter with a hotel occupancy rate of 50.4 percent in December 2018, a 2 percentage point decrease from the same time last year. The market's average room rate was \$109.46 per night, 3.4 percent lower than the December 2017 rate.

- Metro Denver reported a hotel occupancy rate of 54.4 percent at the end of the fourth quarter, the same as the previous year. The average room rate for Metro Denver was \$115.31 at the end of December, 2.1 percent below the previous year's rate, or a decrease of \$2.51 per night.



Residential Real Estate

Builder confidence for newly built single-family homes remained unchanged at a healthy 72 level in February on the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). Builders are excited about the pro-business political climate that will strengthen the housing market and support overall economic growth. However, they need to manage supply-side construction hurdles, such as shortages of labor and lots and building material price increases. With ongoing job creation, increasing owner-occupied household formation, and a tight supply of existing home inventory, the single-family housing sector should continue to strengthen at a gradual but consistent pace.

- Shea Properties is in the preliminary planning stages of building an affordable senior housing complex next door to the James H. LaRue library, at the corner of Ridgeline Boulevard and Dorchester Street in Highlands Ranch. Construction of the four-story building with 130 units is expected to begin in 2020. Using low-income housing tax credits, the property would provide affordable housing for residents 55 and older who earn 60 percent of Douglas County's median income.

Home Sales

Home sales in the Denver South region continue to slow as demand outpaces supply and prices continue to rise. The market fell by 9.9 percent over-the-year to 1,097 homes sold between the fourth quarter of 2017 and the fourth quarter of 2018. Sales of condominiums and townhomes fell 18.4 percent to 280 homes sold and single-family detached sales fell 6.6 percent to 817 homes sold. The average sales price for single-family detached (\$547,113) rose 4.3 percent over-the-year, while the average sales price for condominiums and townhomes (\$347,745) rose 2.6 percent.

- Metro Denver reported 11,989 total home sales during the fourth quarter of 2018, a 14.2 percent decline over-the-year. Single-family detached home sales (9,038 sales) fell 12.2 percent over-the-year, while condominium and townhome sales (2,951 sales) fell 19.9 percent. The average sales price of a single-family detached home rose 5.2 percent over-the-year and the condominium and townhome price rose 4.3 percent.

Existing Home Sales in the Denver South Region, Fourth Quarter 2018

	Homes Sold			Average Sales Price			Avg Sales Price per Sq. Ft.*		
	4Q 2018	4Q 2017	Yr/Yr % Ch	4Q 2018	4Q 2017	Yr/Yr % Ch	4Q 2018	4Q 2017	Yr/Yr % Ch
Denver South Region									
Condominium/Townhouse	280	343	-18.4%	\$347,745	\$338,931	2.6%	\$250	\$243	3.3%
Single-Family Detached	817	875	-6.6%	\$547,113	\$524,375	4.3%	\$247	\$232	6.5%
Metro Denver									
Condominium/Townhouse	2,951	3,682	-19.9%	\$301,811	\$289,261	4.3%	\$259	\$248	4.2%
Single-Family Detached	9,038	10,294	-12.2%	\$494,296	\$469,920	5.2%	\$279	\$263	5.8%

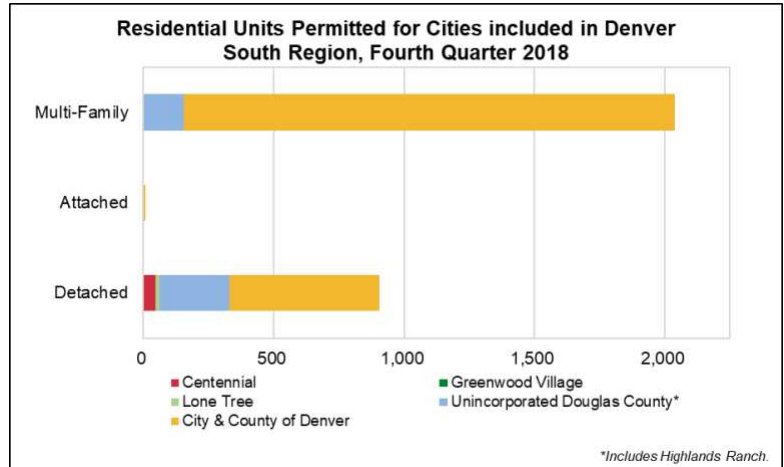
Note: Data could include a small number of new home sales. *Excludes homes where total square footage was not reported.
Source: Colorado Comps, LLC.

Foreclosures

Foreclosure filings were mixed in the Denver South region and also throughout the Metro Denver area during the fourth quarter of 2018 compared with last year at this time. The City and County of Denver reported a decrease of 24.3 percent, Arapahoe County fell 15.9 percent, while Douglas County rose 32.1 percent. Of the remaining four Metro Denver counties, Boulder County (-32.5 percent) and Jefferson County (-1.7 percent) reported decreases, while the City and County of Broomfield rose 42.9 percent, followed by an 8.9 percent increase in Adams County. Total foreclosure filings reported in Metro Denver during the fourth quarter of 2018 were 7.1 percent lower than the fourth quarter of 2017 and were 1.9 percent lower than the third quarter of 2018. (Source: county public trustees.)

Residential Building Permits

Building permits issued in the Denver South region increased in the fourth quarter of 2018. The five principal areas for the Denver South region issued building permits for 2,952 units during the quarter, which was 25.8 percent higher over-the-year. Four of the market areas reported decreases, Greenwood Village (-33.3 percent), Lone Tree (-25 percent), unincorporated Douglas County (-21.6 percent), and Centennial (-4.2 percent). The City and County of Denver reported the only increase with units permitted increasing from 1,734 to 2,465, which was driven by the increase in multifamily units. Metro Denver reported a 36.7 percent increase in building permits, representing 1,796 additional 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 fourth quarters of 2017 and 2018, apartment vacancy rates decreased in four of the six Denver South submarkets. The largest over-the-year decrease was in the Douglas County market, where the vacancy rate fell 5.3 percentage points to 4.8 percent. Douglas County – North also reported a significant decrease, falling 4.3 percentage points. Arapahoe County – South and Arapahoe County reported increases over-the-year, rising 9.3 percentage points and 0.9 percentage points, respectively. 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 the Denver – Far Southeast (+4.7 percent), Arapahoe County (+4.5 percent), and the City and County of Denver (+3.8 percent). The average rental rate ranged from \$1,324 per month in the Denver – Far Southeast market to \$1,610 per month in the Arapahoe County – South market.

Apartment Vacancy Rates and Average Rents

	Vacancy		Average Rent	
	4Q 2018	4Q 2017	4Q 2018	4Q 2017
Arapahoe County	5.8%	4.9%	\$1,392	\$1,332
Arapahoe County - South*	12.7%	3.4%	\$1,610	\$1,579
City & County of Denver	6.6%	7.2%	\$1,487	\$1,432
Denver - Far Southeast*	5.1%	5.5%	\$1,324	\$1,265
Douglas County	4.8%	10.1%	\$1,549	\$1,527
Douglas County - North	4.0%	8.3%	\$1,562	\$1,533
Metro Denver	5.8%	6.4%	\$1,456	\$1,396

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 fell 0.6 percentage points over-the-year to 5.8 percent. The average rental rate increased 4.3 percent over-the-year to \$1,456 per month, representing an additional \$60 in average monthly rent.

Commercial Real Estate

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 fourth quarter of 2018 compared with the previous year. The vacancy rate fell in two of the four markets, with the flex market reporting the largest decrease of 1.4 percentage points. The office market and the retail market remained flat over-the-year, holding steady at their respective rates. The average lease rate rose in the industrial market and the office market, increasing 5.3 percent and 1 percent, respectively. The flex market (-4.5 percent) and the retail market (-3.5 percent) reported decreasing lease rates, falling by \$0.54 per square foot and \$0.74 per square foot, respectively.

- Metro Denver recorded overall more positive trends across the four property types between the fourth quarters of 2017 and 2018. The vacancy rate fell across three of the four market areas, rising slightly in the industrial market by 0.2 percentage points. The flex market reported a decrease of 0.6 percentage points, followed by the office market (-0.5 percentage points), and the retail market (-0.2 percentage points). The average lease rate increased in all four markets, with the retail market recording the largest increase of 5.2 percent, followed by the industrial market, which rose 3.9 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 (M)	4Q 2018	44.4	191.5	8.6	220.4	7.8	46.0	19.0	169.3
	4Q 2017	43.6	187.7	8.4	216.2	7.8	45.5	18.8	167.7
Direct Vacancy Rate	4Q 2018	10.8%	9.0%	3.7%	4.1%	5.1%	5.2%	3.2%	4.1%
	4Q 2017	10.8%	9.5%	4.4%	3.9%	6.5%	5.8%	3.2%	4.3%
Avg Lease Rate (per sq. ft.)	4Q 2018	\$25.40	\$26.62	\$9.58	\$8.05	\$11.34	\$12.07	\$20.32	\$19.12
	4Q 2017	\$25.16	\$26.61	\$9.10	\$7.75	\$11.88	\$12.03	\$21.06	\$18.17

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 fourth quarter of 2018 on over 1 million square feet of office, retail, and industrial space in the Denver South region.

- The largest project currently under construction is 6900 Layton Ave., a LEED Gold 381,740-square-foot class AA office building in the Denver Tech Center. The building is currently 40 percent pre-leased and is expected to deliver summer of 2020.
- There was 97,320 square feet of retail space under construction, including four buildings encompassing 38,290 square feet for the Pine Bluffs Plaza in Parker.
- There were six industrial and flex projects under construction in the Denver South region during the fourth quarter of 2018. An industrial building in the Dove Valley Business Center was the largest project, totaling over 149,650 square feet of industrial space.

Prepared by:
Development Research Partners, Inc.
10184 West Belleview Ave, Suite 100
Littleton, Colorado 80127
303-991-0070
www.developmentresearch.net
March 2019



Development Research Partners