

## Douglas County Economic Development Division

### Douglas County Economic Report

First Quarter 2010

Positive first quarter reports on consumer spending, home sales, and new home construction are among several signs of economic recovery. While the recovery appears to be broad-based, many analysts question whether the economy can maintain its momentum without help. The popular first-time homebuyers' tax credits and many other government support programs have expired, and improvements in the labor market must continue for some time to noticeably reduce unemployment.

Local labor markets are beginning to stabilize, but Metro Denver and Colorado jobs losses through the recession were somewhat more severe than losses in other areas. Data through the third quarter of 2009 suggest Douglas County job losses were slightly milder than losses for all of Metro Denver, but the Douglas County unemployment rate in early 2010 remained near the highest levels reported in at least a decade.

Ideally, Denver area employers' increasing willingness to hire will - over time - generate the job growth necessary to trim unemployment and advance early improvements in household spending and housing. Local measures of consumer confidence have improved, and the rate of over-the-year decline in Douglas County retail sales has slowed considerably. More Douglas County homes sold in the first quarter of 2010 than sold one year prior, and average single-family home prices have been rising in several of the county's submarkets. Now that the homebuyers' tax credits have expired, though, the immediate future of housing depends heavily on foreclosure trends and the labor market.

In this recovery - and in many others before it - risks remain as conditions gradually improve. Even in this fragile environment, though, business activity in Douglas County is strengthening.

- The corporate headquarters for Seattle-based Mywedding.com moved to Castle Rock in early 2010. The company - an online wedding planner that offers local guides, planning tools, and links to other resources - will reportedly employ 20 workers at its new Castleton Parkway location.
- Denmark-based Aluwind Inc. - a manufacturer of aluminum wind turbine and tower components - recently announced plans to launch its U.S. manufacturing operations in Castle Rock. The company supplies components for three of the four largest wind turbine manufacturers and could employ up to 100 workers in the coming months.

### Employment Activity

- Labor markets in Metro Denver and Colorado were less improved in the first quarter than markets elsewhere. Data that are adjusted for seasonal trends show Metro Denver and Colorado employment declined slightly between the fourth quarter of 2009 and the first quarter of 2010, while nationwide employment was essentially unchanged. While further layoffs are unwelcome, the pace of job loss in early 2010 had slowed significantly from prior quarters. First quarter employment across all industries in Metro Denver was 3.5 percent lower than the year-ago employment total, employment statewide was down 3.7 percent, and nationwide first quarter employment was 2.4 percent lower than the year-ago total. (*Source: Colorado Department of Labor and Employment, Labor Market Information, Current Employment Statistics<sup>1</sup>; U.S. Bureau of Labor Statistics.*)
- Total covered employment<sup>2</sup> in Douglas County declined 4.8 percent between the third quarters of 2008 and 2009. Education and health service was the county's only industry supersector to report an employment gain (+4 percent) over the year, and losses in the remaining industries ranged from 1.5 percent in other services to

<sup>1</sup> The Current Employment Statistics (CES) series gives an estimated employment count and is available with a one-month lag. Coverage for the CES series is generally consistent with that of the Quarterly Census of Employment and Wages (QCEW, see note #2, below) with several exceptions. Notably, the CES series excludes agricultural workers (some of which are counted in QCEW) but includes several other job categories not counted in the QCEW. The series is benchmarked to the QCEW once annually and is available only for the nation, states, and metropolitan statistical areas (MSAs).

<sup>2</sup> Jobs covered by unemployment insurance as reported in the QCEW. These positions represent the vast majority of total employment, although the self-employed, some agricultural workers, some domestic workers, and several other categories of workers are excluded. This data series lags the CES series by about six months and is available for the nation, states, MSAs, and counties.

21.5 percent in construction. Roughly 71 percent of jobs lost in Douglas County between the third quarters of 2008 and 2009 were in construction or trade, transportation, and utilities.

While the county’s job loss over the past year was significant, seven-county Metro Denver’s percentage job loss in the covered employment series (-5.5 percent) was somewhat higher. (Source: Colorado Department of Labor and Employment, Labor Market Information, Quarterly Census of Employment and Wages.)

### Covered Employment by Industry Supersector, Third Quarter 2009

	Douglas County		Metro Denver	
	3Q09 Total	Yr/Yr % Change	3Q09 Total	Yr/Yr % Change
<b>Total All Industries</b>	<b>90,584</b>	<b>-4.8%</b>	<b>1,318,554</b>	<b>-5.5%</b>
Natural Resources	405	-17.1%	11,053	-10.3%
Construction	7,082	-21.5%	73,306	-18.9%
Manufacturing	2,279	-5.0%	77,805	-11.1%
Wholesale Trade	3,234	1.0%	66,480	-8.2%
Retail Trade	14,900	-7.1%	134,598	-6.1%
Transportation, Warehousing, and Utilities	1,476	-11.4%	58,662	-6.5%
Information	5,663	-9.5%	55,326	-5.1%
Financial Activities	6,519	-3.4%	98,581	-5.1%
Professional & Business Services	13,964	-2.7%	229,705	-7.6%
Education & Health Services	15,655	4.0%	249,509	2.1%
Leisure & Hospitality	13,853	-2.4%	145,384	-3.9%
Other Services	2,867	-1.5%	40,379	-4.6%
Public Administration	2,661	-4.6%	77,646	0.6%
Unclassified	27	-2.4%	119	-16.4%

Source: Colorado Department of Labor, Labor Market Information, Quarterly Census of Employment and Wages (QCEW).

- The Metro Denver and Colorado unemployment rates - both 7.8 percent in the first quarter of 2009 - rose in the first quarter of 2010 to 8.2 percent and 8.3 percent, respectively. By contrast, the first quarter unemployment rate in Douglas County (6.6 percent) was unchanged from the year-ago level. Flat or rising unemployment rates are likely in the months ahead, because better employment prospects will draw more jobseekers back into the labor market. (Note: unemployment rates are not seasonally adjusted. Source: Colorado Department of Labor and Employment, Labor Market Information, Local Area Unemployment Statistics.)
- Denver area employers may be slightly more willing to hire in the second quarter of 2010, according to results of the most recent *Manpower Employment Outlook Survey*. Thirteen percent of survey respondents in the Denver-Aurora-Broomfield metropolitan statistical area (MSA) reported plans to hire in the second quarter, compared to eight percent of employers in the first quarter survey. The vast majority of Denver area employers, however, are taking a wait-and-see approach to staffing. Survey results show nearly three-quarters of Denver area employers and 73 percent of employers nationwide plan no staffing changes for the second quarter. Roughly 16 percent of employers nationwide plan to add jobs in the second quarter. (Source: Manpower Inc.)

### Consumer Activity

- The Conference Board’s U.S. Consumer Confidence Index for the first quarter was more than 73 percent higher than the year-ago reading, and the Mountain Region Index for the first quarter rose more than 48 percent over-the-year. These readings show consumer sentiment has improved, but confidence levels are still low by historic standards as many consumers remain concerned about jobs, income, and overall business conditions. (Source: The Conference Board.)
- Retail trade sales in Douglas County during the fourth quarter of 2009 were 2.1 percent lower than the year-ago sales total. The decline was relatively consistent with a 2.3 percent drop in sales throughout all of Metro Denver over the same period.

Recent sales trends at the municipal level are more ambiguous, partly because openings of new retail outlets tend to

skew sales totals for smaller geographic areas. Municipal sales trends also vary considerably due to each area's unique retail makeup. For example, food and beverage stores - including grocery outlets - are a major driver of sales in Castle Pines North and Castle Rock, while sales at general merchandise and warehouse stores have a larger influence in Lone Tree and Parker.

Variations aside, several Douglas County communities reported sales declines between the fourth quarters of 2008 and 2009. (Source: Colorado Department of Revenue.)

### Retail Trade Sales (\$000s) by Industry and Municipality, Fourth Quarter 2009

Industry	Castle Pines North	Castle Rock	Highlands Ranch	Larkspur	Lone Tree	Parker	Douglas County	Metro Denver
Motor Vehicles & Auto Parts	1,321	14,918	26,393		31,574	14,170	100,650	1,551,629
Furniture & Home Furnishings		4,539	2,954		15,861	4,163	42,967	375,121
Electronics & Appliance Stores		2,252			25,837	8,250	39,372	358,557
Building Materials & Nurseries		11,390				16,781	49,313	565,204
Food & Beverage Stores	14,335	44,615	45,309		13,400	52,252	220,991	2,136,868
Health & Personal Care Stores		8,760		4	8,148	8,260	39,757	339,608*
Service Stations		5,167	5,284			9,133	40,085	511,339
Clothing & Accessory Stores		23,997	5,654		67,104	1,874	107,580	579,995
Sports Goods, Hobby, Book, and Music Stores		5,194	2,708		10,395	5,373	36,685	367,816
General Merchandisers & Warehouse Stores		34,568	49,192		114,036	68,460	270,016	1,704,593
Miscellaneous Stores	68	5,170	3,437	31	6,798	5,769	24,557	366,799
Non-Store Retailers	38	2,057	637	28	327	1,671	8,157	292,663*
Food & Drinking Services	1,767	17,239	20,125		31,261	22,608	105,052	1,174,944
<b>Total Retail Trade Sales</b>	<b>20,866</b>	<b>179,866</b>	<b>175,612</b>	<b>1,425</b>	<b>335,387</b>	<b>218,764</b>	<b>1,085,182</b>	<b>10,614,540</b>
<i>Total Retail Trade Sales, 4Q08</i>	<i>17,954</i>	<i>185,718</i>	<i>155,075</i>	<i>1,149</i>	<i>353,426</i>	<i>237,620</i>	<i>1,108,644</i>	<i>10,869,090</i>

\*Totals shown do not include suppressed data; retail sales by industry for Metro Denver do not add to total retail trade sales due to data suppression. Data suppressed for shaded categories.

Source: Colorado Department of Revenue.

## Residential Real Estate

- The pending expiration of the first-time homebuyers' tax credits helped drive a first quarter increase in Douglas County existing home sales. First quarter sales of single-family homes in the three Douglas County submarkets rose 25 percent above the year-ago sales total, and first quarter condominium sales rose 24 percent over-the-year.

The trajectory of Douglas County home prices has been less clear, partly because the sales - or lack thereof - of more expensive homes have skewed average prices. The first quarter average sales price for single-family homes in all Douglas County submarkets (\$357,690) was 4.3 percent lower than the year-ago average. The decline was partly the result of several large transactions in the first quarter of 2009, though, and was not necessarily consistent with home price trends over the past year. In fact, the average single-family home price for the Douglas County submarkets rose over-the-year in the second, third, and fourth quarters of 2009. The Douglas County average price for condominiums has been less stable, and the first quarter 2010 average (\$165,870) fell 8.6 percent below the first quarter 2009 average. Generally, single-family home prices in Highlands Ranch and Parker have been more stable than prices in Castle Rock and Castle Pines North, and countywide single-family home prices have been more resilient than prices for condominiums.

Home prices in the greater Metro Denver region have been steadily rising. The first quarter average single-family home sales price for Metro Denver (\$269,360) was 11.8 percent higher than the year-ago average, and the first quarter average condominium price (\$160,180) was up 9.2 percent over-the-year. First quarter home sales in Metro Denver rose 2.8 percent over-the-year as homebuyers rushed to take advantage of tax credits. (Source: Metrolist, Inc.)

### Douglas County Existing Home Sales, First Quarter 2010

	Douglas County MLS Submarkets			Combined Douglas County Submarkets
	Douglas/Highlands Ranch/Lone Tree	Douglas County West*	Douglas/Elbert/Parker	
<b>Single-Family Home Sales</b>				
1Q2010	304	305	315	924
1Q2009	231	229	279	739
<b>Condominium Sales</b>				
1Q2010	49	39	56	144
1Q2009	40	33	43	116
<b>Average Sold Price, Single-Family Homes</b>				
1Q2010	\$347,747	\$396,372	\$329,822	\$357,687
1Q2009	\$355,485	\$457,660	\$320,076	\$373,779
<b>Average Sold Price, Condominiums</b>				
1Q2010	\$233,069	\$156,285	\$113,737	\$165,866
1Q2009	\$237,585	\$169,422	\$138,295	\$181,388

\*Area extends west from Castle Rock to Roxborough.  
Source: Metrolist, Inc.

- Five of the seven Metro Denver counties reported an increase in foreclosure filings between the first quarters of 2009 and 2010, and the Douglas County increase over-the-year (+15.8 percent) ranked second largest. First quarter filings in all of Metro Denver rose 3.6 percent over-the-year, and the nationwide count of foreclosure filings also rose over-the-year in the first quarter. (Source: Colorado Division of Housing, county public trustees, and RealtyTrac.)
- Like construction activity nationwide, residential building activity in Douglas County has accelerated. Building permits issued in the first quarter by Douglas County municipalities totaled 254, or more than double the number issued during the first three months of 2009. Most of the issuance was for single-family home permits, which averaged \$260,520 in value per unit. Douglas County condominium and townhome permits issued during the first quarter had an average value of \$189,460. (Source: Douglas County.)

The count of building permits issued throughout Metro Denver in the first quarter of 2010 was nearly twice the count issued one year prior. The first quarter count of permits for detached, single-family homes (919) was more than double the count issued in the first quarter of 2009, and the count of permits for condominiums and townhomes (215) rose 53.6 percent over-the-year. Similarly, the first quarter count of permits for Metro Denver apartments was 40.8 percent higher than the count issued one year earlier.

Despite large percentage gains, permit activity remains below historic norms. The total count of Metro Denver building permits issued in the first quarter was less than one-third of the total issued in the first quarter of 2004, which was the peak year for Metro Denver building activity prior to the recession. (Source: Home Builders Association of Metro Denver.)

### Douglas County Residential Building Permits, First Quarter 2010

	Castle Pines North	Castle Rock	Highlands Ranch	Lone Tree	Parker	Aurora	Unincorp. Douglas	Total Douglas County
<b>Single-Family Detached Homes</b>								
Number of Permits	-	104	10	-	32	8	58	212
Avg. Valuation per Unit	-	\$211,024	\$378,266	-	\$297,681	\$286,074	\$304,949	\$260,522
<b>Condominiums/Townhomes</b>								
Number of Permits	-	13	14	11	-	-	4	42
Avg. Valuation per Unit	-	\$127,479	\$214,380	\$216,551	-	-	\$229,223	\$189,464
<b>Multi-Family</b>								
Number of Permits	-	-	-	-	-	-	-	-
Number of Units	-	-	-	-	-	-	-	-
Avg. Valuation per Unit	-	-	-	-	-	-	-	-
<b>Total 1Q10 Building Permits</b>	-	117	24	11	32	8	62	254
<i>Total 1Q09 Building Permits</i>	-	31	7	13	9	6	39	105

Note: Excludes permits for residential construction activity that does not affect overall housing inventory.

Source: Douglas County and individual municipalities.

## Commercial Real Estate

- The Douglas County direct office market vacancy rate in the first quarter (10.2 percent) was down from the 11 percent rate reported one year prior. The average first quarter vacancy rate for office property throughout Metro Denver was a higher 13.7 percent, but region-wide lease rates have been somewhat more stable than rates in Douglas County. The county's average office market lease rate for the first quarter (\$21.68 per square foot) was down 10 percent from the year-ago average, while the Metro Denver first quarter average (\$20.03) was down a smaller 5.7 percent over-the-year. (Source: CoStar Realty Information, Inc.)
- Douglas County's direct industrial market vacancy rate in the first quarter reached 6.6 percent, down from 8.4 percent in the first quarter of 2009. The industrial market vacancy rate in Metro Denver declined to 6.7 percent in the first quarter from 6.9 percent in the first quarter of 2009. Despite the improvement in vacancy, industrial market lease rates in both areas remain depressed. The first quarter average lease rates for Douglas County (\$6.51 per square foot) and Metro Denver (\$4.75 per square foot) were down 6.6 percent and seven percent from their year-ago levels, respectively. (Source: CoStar Realty Information, Inc.)
- While the first quarter direct vacancy rate for retail property in Douglas County was lower than the comparable rate for Metro Denver, the Douglas County rate had risen more over-the-year. The county's first quarter rate of 6.5 percent was up from the six percent rate reported one year earlier, while the metro-wide retail vacancy rate of 8.5 percent declined slightly from the 8.6 percent year-ago rate. Newly-completed retail property could be partly responsible for the first quarter increase in Douglas County's vacancy rate and for the slight (1.8 percent) gain in the county's retail lease rates over-the-year. The first quarter average lease rate for retail property throughout Metro Denver (\$16.23 per square foot) was down 3.6 percent over-the-year. (Source: CoStar Realty Information, Inc.)
- Commercial construction projects recently permitted in Douglas County include a Sprouts Farmers Market in Lone Tree and several projects - including a restaurant, a daycare facility, and a dental office - in the unincorporated area of the county. (Source: Douglas County and individual municipalities.)

### Douglas County Commercial Vacancy and Lease Rates by Property Type, First Quarter 2010

	Total Existing Square Footage		Vacancy Rate		Avg Lease Rate (per sq. ft.)		
	1Q10	1Q09	1Q10	1Q09	1Q10	1Q09	
<b>Office</b>	Castle Rock*	709,902	709,902	17.9%	18.7%	\$22.50	\$24.38
	Highlands Ranch	1,977,495	1,977,495	6.2%	5.1%	\$22.43	\$22.65
	Larkspur	14,469	12,469	0.0%	0.0%	N/A	N/A
	Lone Tree	1,493,861	1,493,861	12.6%	17.1%	\$25.05	\$26.53
	Parker	659,057	628,159	10.9%	4.1%	\$24.72	\$25.48
	<b>Total Douglas County</b>	<b>10,694,188</b>	<b>10,614,290</b>	<b>10.2%</b>	<b>11.0%</b>	<b>\$21.68</b>	<b>\$24.10</b>
<b>Industrial</b>	Castle Rock*	919,926	919,926	9.4%	13.7%	\$9.37	\$7.53
	Highlands Ranch	281,381	281,381	0.5%	21.6%	\$6.95	N/A
	Larkspur	14,931	14,931	61.6%	61.6%	N/A	N/A
	Lone Tree	134,978	134,978	0.0%	0.0%	N/A	N/A
	Parker	1,018,909	1,018,909	7.4%	7.0%	\$6.38	\$11.08
	<b>Total Douglas County</b>	<b>5,295,142</b>	<b>5,295,142</b>	<b>6.6%</b>	<b>8.4%</b>	<b>\$6.51</b>	<b>\$6.97</b>
<b>Retail</b>	Castle Rock*	3,529,203	3,516,011	5.2%	6.0%	\$18.19	\$18.37
	Highlands Ranch	2,465,370	2,293,566	6.5%	3.4%	\$21.72	\$17.49
	Larkspur	-	-	-	-	-	-
	Lone Tree	3,978,508	3,978,508	3.7%	3.8%	\$20.31	\$20.13
	Parker	3,862,825	3,860,659	11.2%	10.2%	\$17.05	\$17.05
	<b>Total Douglas County</b>	<b>15,992,985</b>	<b>15,805,823</b>	<b>6.5%</b>	<b>6.0%</b>	<b>\$18.64</b>	<b>\$18.31</b>

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

N/A indicates non-applicable; - indicates no data.

\*includes Castle Pines North.

Source: CoStar Realty Information, Inc.

**Provided by:**

Douglas County Government  
100 Third Street  
Castle Rock, CO 80104  
303-660-7449  
[www.BusinessDouglasCounty.com](http://www.BusinessDouglasCounty.com)

**Prepared by:**

Development Research Partners, Inc.  
10184 West Belleview Ave, Ste 100  
Littleton, Colorado 80127  
303-991-0070  
[www.developmentresearch.net](http://www.developmentresearch.net)

June 3, 2010

